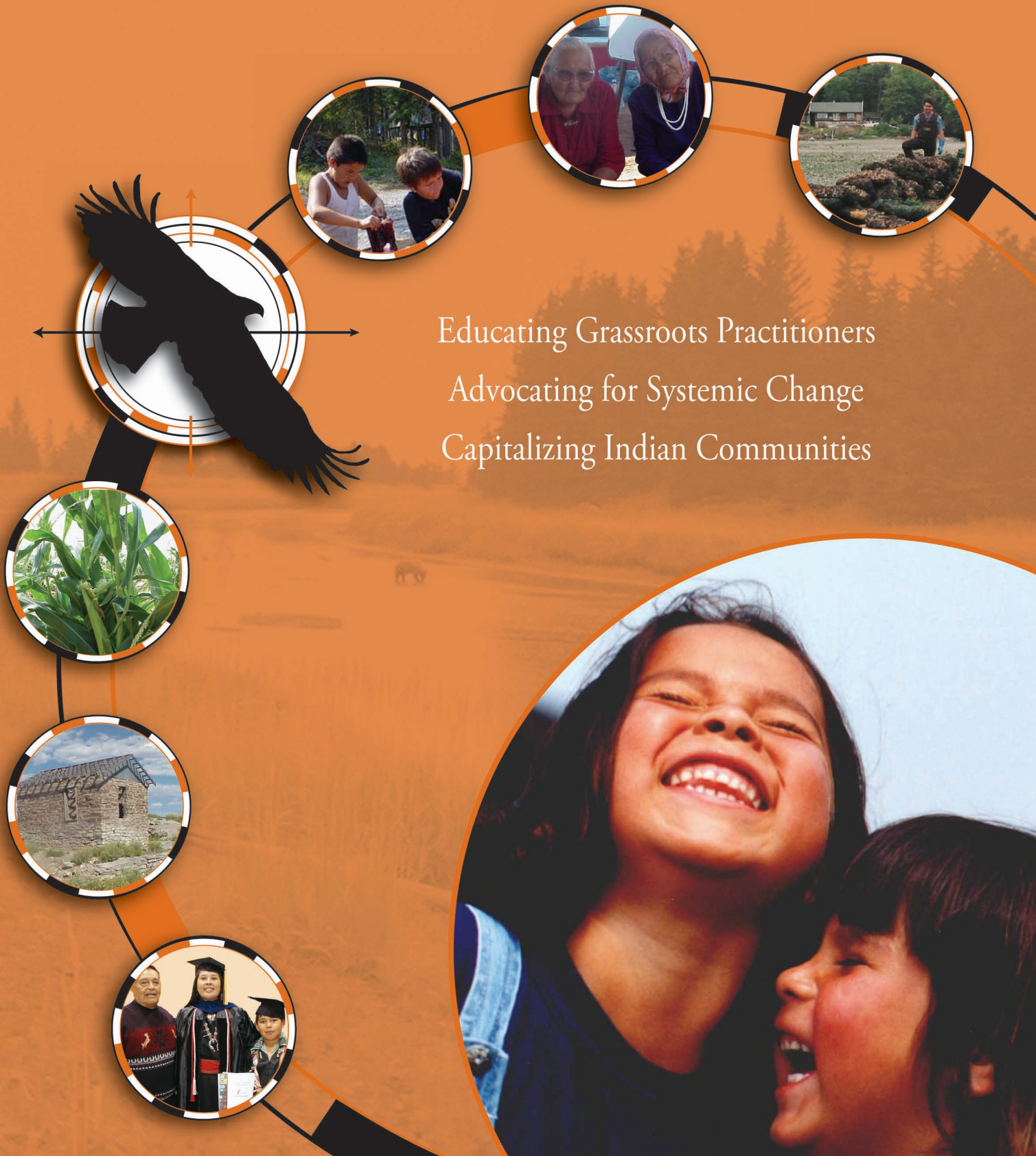


# Integrated Asset- Building Strategies for Reservation-Based Communities:

A 27-Year Retrospective of First Nations Development Institute



Educating Grassroots Practitioners  
Advocating for Systemic Change  
Capitalizing Indian Communities

## ACKNOWLEDGEMENTS

This report was funded with a generous grant from the Ford Foundation. We wish to thank the numerous outside reviewers who provided valuable feedback and contributed to the final content: Sarah Hicks, NCAI Policy Research Center; Miriam Jorgenson, Native Nations Institute and The Harvard Project; Elsie Meeks, First Nations Oweesta Corporation; and Jody Sarkozy-Banoczy, First Nations Oweesta Corporation. TM Design did the graphic design for this project and contributing in part to the cover design was Transit Marketing and Design. First Nations Oweesta Corporation, the Laguna Education Foundation, and Spirit Mountain Community Fund all provided photos that were used in this report. This work incorporates materials previously developed and authored by First Nations Development Institute and Rebecca Adamson, founder and former director and officer of First Nations Development Institute.

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**Suggested citation:** First Nations Development Institute (2007). *Integrated Asset-Building Strategies for Reservation-Based Communities: A 27-Year Retrospective of First Nations Development Institute*. Longmont, CO: First Nations Development Institute.

# Integrated Asset- Building Strategies for Reservation-Based Communities:

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## CHAPTER 1: INTRODUCTION

# Integrated Asset Building: A Grassroots-driven Model of Community Change

“First Nations’ mission is not solely to eliminate poverty, but to build healthy reservation economies. Although reasons for reservation poverty are multiple and complex, only solutions provided by Indian people, for Indian people, through the control of their assets, and crafted by their own development strategies, within the value of their own cultures, will succeed.”

–Michael E. Roberts, President, First Nations Development Institute

### Introduction

This report is the culmination of over a quarter century of work by First Nations Development Institute. More than that, it is the product of the ingenuity of Native peoples across the United States. That ingenuity has been refined over thousands of years, and has proven resilient in the face of the devastating effects of colonialism. The central belief of our organization is that *when armed with appropriate resources, Native peoples hold the capacity and ingenuity to ensure the sustainable, economic, spiritual, and cultural well being of their communities.* As such, integrated asset-building strategies have proven to be an effective method, pursued by local practitioners, to arm Native people with resources and empower tribal members to ensure the well being of their communities.

This report will demonstrate the place of this work in First Nations Development Institute’s (First Nations’) ongoing efforts to empower Indigenous people to control their economic futures in ways that fit their culture. It will also lay out the model for understanding how the institutions, tools, and outcomes, outlined in the following six chapters, fit together.

This chapter, and the report as a whole, is a testament to the hard work of men and women across Indian Country. These people each have stories that are just as compelling as that told by Nobel laureate, Muhammad Yunus. Professor Yunus once said, “I became involved in the poverty issue not as a policymaker or a researcher.





## Integrated Asset Building: A Grassroots-driven Model of Community Change

I became involved because poverty was all around me, and I could not turn away from it.”<sup>1</sup> These Native asset-building practitioners have responded to the poverty that surrounds them by facing it head on. They have developed strategies that are designed specifically for their community, achieved individual financial outcomes (among others), and are explicitly focused on community transformation. This is where the reason for First Nations’ partnership with these organizations becomes so clear, because First Nations’ mission is not solely to eliminate poverty, but to build healthy reservation economies.<sup>2</sup> If we help people build financial assets but have no impact on the strength of the community or the health of the local economy, we have not done our job.

### Indian Country’s Unique Challenge and First Nations’ Unparalleled Approach

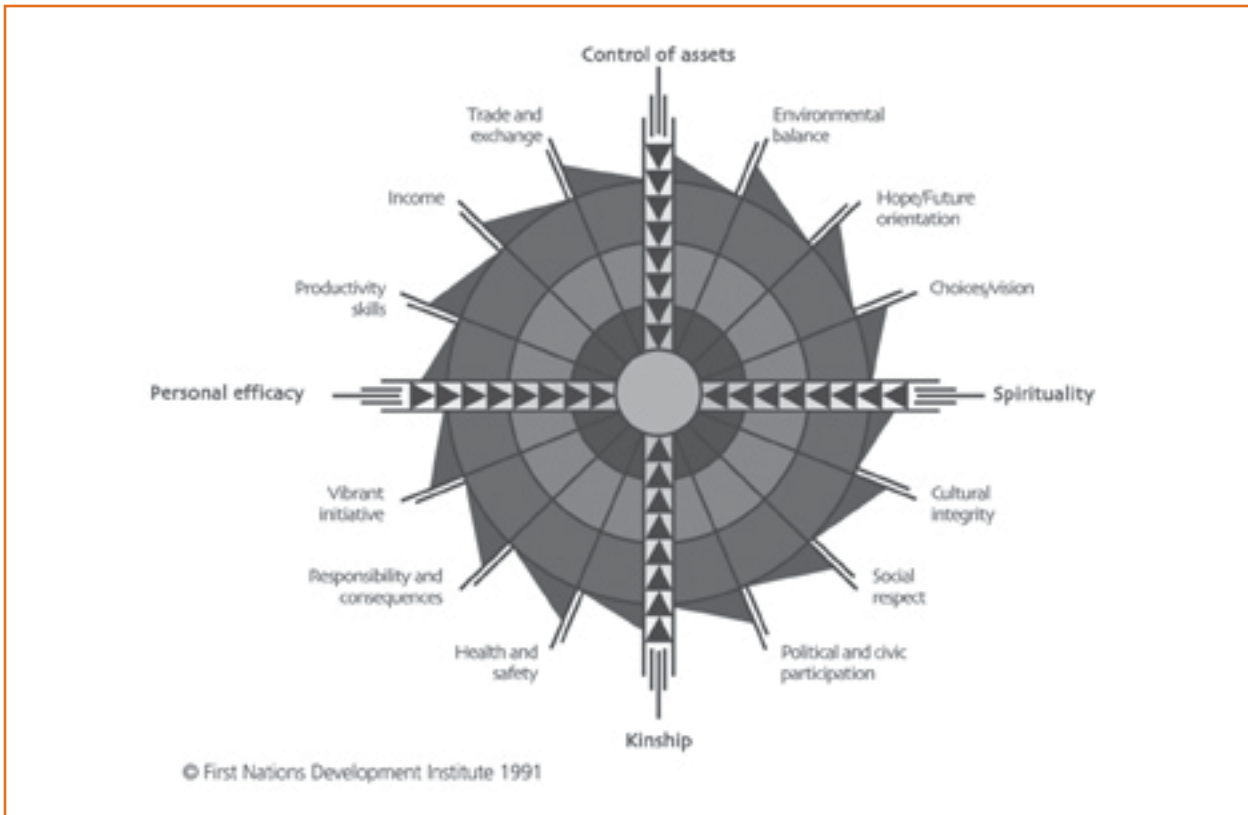
First Nations was founded on the belief that Indian Country faces a unique challenge. Unlike any other impoverished community in the nation, the problem faced by Native communities is not ownership of assets but rather the question of who controls Native assets. As a result, what Indian Country needs is a multi-faceted approach, using a wide variety of innovative solutions to address the real work of helping Native people control the assets they own. First Nations’ approach has always been one based upon a unique understanding of complex systems and the careful use of traditional knowledge, both of which Indian communities still possess today.

Building upon these core beliefs, First Nations has encapsulated its mission into a three-pronged model – *Educating Grassroots Practitioners, Advocating Systemic*

*Change, and Capitalizing Indian Communities*. Through this triad of education, advocacy, and capitalization, First Nations is working to restore Native control and culturally-compatible stewardship of the assets they own – be they land, human potential, cultural heritage, or natural resources – and to establish new assets for ensuring the long-term vitality of Native communities. Through this unparalleled strategy, First Nations has provided the resources and tools necessary to effectively support Native people in the successful integration of First Nations’ most innovative development model, the “Elements of Development.”

The Elements of Development model was first articulated as an “attempt to conceptualize a paradigm that more accurately depicts a Native American world view, thereby offering an alternative approach to reservation and tribal development.”<sup>3</sup> First published as the 1994 Richard Schramm Paper on Community Development, this approach identifies two main axes of the circle that represent significant relationships in development (Assets, Kinship, Personal Efficacy, and Spirituality). The other components of the Elements of Development provide a holistic model of Native community well-being – including social respect, cultural integrity, and environmental balance. For the purposes of this report, the most critical observation of this development model was that “this view of development goes beyond economics to focus on the development of people...[focusing on economics alone] will never provide the balance necessary to improve the quality of life for all.”<sup>4</sup> This point is clear when viewing the Elements of Development model: only the upper-left quadrant of the circle deals with economics while the rest of the circle deals with equally important issues that affect the quality of life experienced by Native communities.





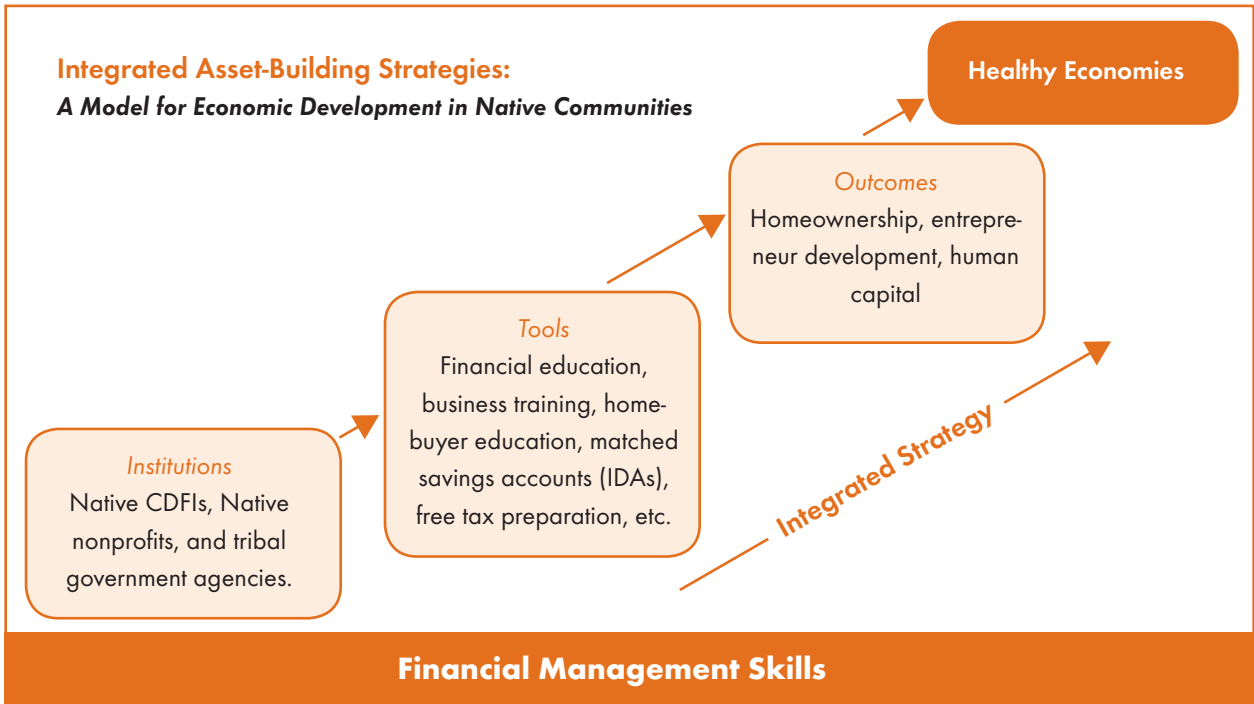
Another important theme of this report, demonstrated within the structure of the Elements of Development circle, is that effective development requires a multi-level approach that addresses not only the role of the individual but also the critical role of the family, the community, and the entire Native nation. Only through the successful integration of all of these elements will Native communities acquire the resources and tools required to effectively exercise the inherent sovereignty they have possessed since time immemorial. As First Nations’ leaders have stated in numerous ways throughout our history:

*When we think of the exercising of sovereignty, we tend to focus exclusively on the role of tribal government. But being a nation, in the fullest sense, is much more encompassing. It is about members who are engaged, productive, and responsible citizens; it is about strong and vital government and other institutions; it is about a healthy and vibrant economy; it is about supportive and loving families and kinship networks – all grounded in the values provided by a strong cultural foundation.<sup>5</sup>*

The chapters in this report demonstrate that integrated asset-building strategies provide tribal members with the chance to exercise sovereignty through individual asset ownership and control. That ownership builds the capacity of the individual citizen who can then influence their families, communities, and nation. The case studies and data in this report demonstrate that individual economic sovereignty builds the foundation for healthy, vibrant economies that benefit the entire community.

### First Nations' Integrated Asset-Building Strategy Model

Since articulating the Elements of Development model, First Nations has made substantial investments in Native asset-building strategies and has cultivated and witnessed an exciting model develop from the field. First Nations' "integrated asset-building strategies" model for building stronger reservation economies, and therefore stronger Native communities, is demonstrated in the following illustration. This report provides a review of many of these strategies in action. An overview of each chapter is provided next.



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*This model details the work that First Nations does together with our national, regional, and local partners and grantees, every single day.*

### ***Financial Management Skills in Native Communities***

Today, more than ever before, tribal members and tribal leaders must possess a comprehensive understanding of financial management if Native communities are to obtain long-term sustainability. Specifically, tomorrow's tribal leaders – Native youth – are facing the greatest challenges in this area. Realizing that they often lack the financial management skills necessary to succeed as tribal members and future leaders, Native schools and community organizations are undertaking some promising methods to encourage and develop financial skills among the youth in their communities. Sudden wealth as a result of successful tribal enterprises, and subsequent per capita payments, are serious challenges in many reservation-based communities today. The difficulties stemming from this sudden wealth have drastically revealed the need to integrate basic financial education with investor education. By providing their youth with the knowledge required to make sound investment decisions today, Native communities are finding hope for the future.

### ***Native Individual Development Accounts: An Emerging Field Takes Shape***

Individual development accounts (IDAs) are dedicated savings accounts earmarked for purchasing a first home, for education and job training expenses, or for capitalizing a small business. IDAs are managed by community-based organizations and are held at local financial institutions. The strategy for IDAs is based upon the idea that long-term economic security is

achieved through savings and asset accumulation. As a result of individual development account programs in Indian Country, individuals and communities are being transformed. When combined with other community resources, IDAs can have a significant impact in the lives of Native peoples. Native matched savings programs help build financial skills and assist citizens in acquiring assets. IDA programs also strengthen Native institutions and have a 'ripple effect' on families and the broader community of IDA participants. Through these innovative and accessible programs, Native peoples are finding self-assurance and reclaiming hope for the future.

### ***Capitalizing Native Communities and Giving Back: The Growth of Native Grantmaking Organizations***

Native peoples have a long-standing tradition of giving. Central to this tradition is the idea that each individual is responsible to the whole – the community. The fundamental concept of reciprocity necessitates that giving is an essential component of maintaining a healthy and balanced community. Until more recently, Native communities were less accustomed to organized giving through nonprofits and philanthropic organizations. Today, the hard statistics on Native philanthropic grantmaking institutions are continually the subject of much debate and discussion. While the debate continues, through the work of First Nations it is apparent that these Native philanthropic organizations play a key role in the economic and cultural well-being of their communities. Thus, the challenge today for existing Native philanthropic entities is long-term sustainability while the challenge for Indian Country overall is finding the resources and tools to help all Native communities develop their own philanthropic institutions.



### ***Putting the Earned Income Tax Credit to Work in Indian Communities***

The Earned Income Tax Credit (EITC) is a federal tax benefit that reduces taxes for low to moderate income workers. Research indicates that more than \$20 million is left on the table each year when Native families do not claim the EITC. Native people frequently have their tax returns partially or completely stolen by predatory tax-preparers. Complicating matters further are a multitude of complex issues arising from an intricate maze of federal and tribal laws affecting tribal lands and thus tribal peoples who may be eligible for the EITC. Through EITC outreach and tax preparation programs, there are a variety of opportunities available to clarify tax code and legislation, and to offer financial education and assistance to Native communities throughout Indian Country.

### ***A Catalyst for Asset Building: Native Community Development Financial Institutions***

Community Development Financial Institutions (CDFIs) are specialized financial institutions that serve as private-sector financial intermediaries with community development as their primary mission. CDFIs work in markets that have not been adequately served by traditional financial institutions and also develop new markets in underdeveloped areas. CDFIs provide a wide range of financial products and services, including mortgage financing for first-time homebuyers, financing for community facilities, commercial loans, and investments to start or expand small businesses, and loans to rehabilitate rental housing. In addition, they can provide financial services needed by low-income households, individuals,

and small businesses, affordable housing developers, and community facilities. In Indian Country, this sector has already experienced rapid growth expanding from two to more than 40 in five years. The result thus far has been the building and ongoing development of critical financial and nonprofit infrastructure, often from scratch. Native CDFIs provide a community-focused model for providing access to much-needed capital, critical technical assistance, and innovative entrepreneurship development. Tribal leaders are increasingly identifying Native CDFIs as invaluable partners to develop economic strength within their communities. Through the financial education and other services offered at Native CDFIs, these organizations are contributing to the enabling environment for economic development in Native communities across the nation.

### ***Transforming Economies: Entrepreneurship in Native Communities***

While Native entrepreneurs are invaluable partners in assisting tribal leaders in “plugging the leaks” in Native economies, they face many unique challenges related to economic, political, legal, physical, social, and cultural infrastructures. Native entrepreneurs too often face the additional challenges of operating in isolated geographical locations with the associated lack of available resources. The barriers to success grow greater still when many Native entrepreneurs face limited local markets for their products coupled with the lack of economic support generally available to those in more populated areas. Finally, the regulatory environment within reservation borders does not necessarily support Native-owned businesses. Successful models, however, do exist and can be replicated to effectively incubate and develop Native businesses in partnership with tribal

leaders and tribally-owned enterprises. Self-sufficiency, for the Native business and for the community as a whole, requires a combination of factors: availability of technical assistance, financial resources, and the knowledge and skill required to know how to take advantage of market opportunities without jeopardizing institutional integrity. While much work is left to be done, Native entrepreneurship has the potential to assist in the long-term economic stability of Native communities throughout Indian Country.

### **The Long-Term Vision: Strong Native Communities with Healthy Economies**

A key part of the mission of First Nations Development Institute is to create the emergence of, and continuing investment in, social-entrepreneurial economic development organizations in American Indian reservation communities. This includes the creation of innovative models for reservation communities through funding, research, and training. First Nations works to provide the support-

ive infrastructure and seed capital needed to stimulate, support, and grow these innovative organizations.

We've determined that the best strategy to build healthy economies in Indian Country is to put Native communities in control of their assets of production. That's why it is our intent to lead the way in empowering and training Indian leaders and Indian peoples to control their assets by investing in, supporting, and, where necessary, designing and developing Indian Country's most innovative strategies around control of assets and wealth creation and retention. With the support and help of the skills, institutions, tools, and outcomes set forth in this report, First Nations will continue to assist Native communities in creating and developing those healthy economic systems. And as we move forward in supporting Native people in cultivating and growing their communities, we will continue to keep our vision focused on the triad of our core strategies – Educating Grassroots Practitioners, Advocating for Systematic Change, and Capitalizing Indian Communities - making a world of difference in the future of Native people.



## Endotes

- <sup>1</sup> Yunus 2006.
- <sup>2</sup> Roberts 2006.
- <sup>3</sup> Salway Black 1994, p. 8.
- <sup>4</sup> Salway Black 1994, p. 14.
- <sup>5</sup> Salway Black 2001.

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## CHAPTER 2: FINANCIAL EDUCATION

### Financial Management Skills in Native Communities

“Financial literacy is increasingly recognized as a critical component of alleviating poverty and promoting economic development [in Native communities]... Limited financial expertise and inadequate financial education resources have significantly hindered the economic health of many Native communities.”

–President Joseph Garcia, National Congress of American Indians<sup>1</sup>

#### Introduction

Financial education coupled with access to financial institutions and services has the potential to become a key social and economic equalizer for Native people and other population groups in the United States. Managing one’s finances in the United States has traditionally been the purview of wealthy people, or newly income-rich people who want to grow their wealth. For many years financial knowledge was passed down from parents to children,<sup>2</sup> often with assistance from professional financial advisors. That trend is beginning to change as a greater number of moderate-income earners are gaining access to financial seminars and financial information through their employers. Even with this progression, however, many low- to moderate-income earners, including many Native people, are still trapped on the economic fringes and must acquire general financial education and training on their own. This lack of financial training, coupled with little access to mainstream financial services, has caused many low-income people to make less than optimal financial choices in regard to savings, investment, and credit vehicles.<sup>3</sup>

Economically disadvantaged populations, including a disproportionately large number of Native families – youth in particular – suffer the greatest lack of access to available financial education. They

rarely gain the financial knowledge and opportunities necessary to access and best utilize mainstream financial institutions and services.<sup>4</sup> Families with higher-than-moderate incomes are many more times likely than their lower-income counterparts to own financial investments of any kind. The differences in wealth accumulation patterns in the United States, based on income, are striking.





## Financial Management Skills in Native Communities

The top 20 percent of U.S. families, by income, own a full 80 percent of the nation's wealth, while families whose income falls in the bottom 40 percent own only about 5 percent of the wealth – a dramatic disparity. Even though the income of minority families is roughly two-thirds of that of white families, they own less than 10 cents of wealth for every dollar owned by a typical non-Hispanic white family.<sup>5</sup> In recent times, despite a consistently solid economy, income and wealth gaps are widening rather than closing.<sup>6</sup>

The disparity in financial well-being between those who have developed considerable assets and those who have not has grown wider since researchers first began compiling figures on the “wealth gap.” This widening gap is one of the key reasons why the United States should be expanding the availability of inclusive and culturally appropriate financial education and information, along with increasing access to reasonably priced financial services and products. Implementing these efforts as a policy strategy is becoming imperative for improving the general economic well-being of millions of people in the United States<sup>7</sup>; particularly minority populations such as Native communities, which suffer from a history of targeted policies that effectively stripped assets and wealth from their communities.

The White House points to hopeful statistics – both a high rate of employment and a general drop in the number of people on welfare rolls – as measures of economic success in the United States. However, other statistics also tell us that a growing number of working people are requiring public or private economic assistance at some time in their lives – illustrating the fact that employment alone (especially low-salaried employment) does not ensure an increase in financial “self-sufficiency” and prosperity. Many states still level

penalties (withdrawal of assistance) on the benefits of poor and low-income workers for any serious attempts to save and invest any portion of their income while still collecting benefits. This pattern of denying opportunities for significant wealth-building to a growing portion of the population is proving counterproductive to increasing “self-sufficiency” in poor and low-income families.<sup>8</sup> The hopes of many Native families continue to fade for making economically sound investments in assets such as homes, businesses, or post-secondary education.<sup>9</sup>

In contrast to the increasingly dismal outlook outlined above, it is important to make note of a significant number of positive economic strategies and initiatives taking place in Native communities, many of which are detailed in this report. These strategies and initiatives represent the hopeful scenario that is developing for greater financial and asset-building success in Native communities. However, if that scenario is to be fully developed, cooperation and collaboration is required from many sectors, including government (public), financial, business, community, and private. To achieve greater success, we will need more assistance from researchers and Native communities who are participating in, or wish to participate in, studied efforts to improve the economic lives of their members.

Research is beginning to show connections between levels of income, access to financial education and information, access to reasonably priced financial services and products, and building financial and other assets for individuals, families, and communities. However, more research must be completed on economic development issues related specifically to low-income communities – particularly Native communities. Native communities have largely been excluded from consideration in financial and asset-building research projects,



even though other minority populations are studied in this regard. Through the limited lens of current research, it is becoming more and more evident that many Native communities remain unable to tap into “mainstream” financial education, financial services, and employment benefits, and are experiencing some profoundly negative economic impacts due to this situation. We must reflect on the information we currently have and study the situation more completely if we want to discover both reasons and potential solutions for the most pressing economic challenges that face Native communities today.

### Chapter Outline

This chapter begins with two introductory sections that demonstrate the importance of both developing financial management skills and increasing research related to the potential effects of increasing financial education opportunities in Native communities. The chapter is then broken into three sections focused on topics we see as essential for developing greater financial management and investment skills in Native communities: *I. Expanding Opportunities for Accessible Financial Education.* We consider how financial education opportunities might benefit both Native youth and adults, and we describe strategies employed by a Native coalition for improving financial and economic practices in Native communities, including information about a financial education curriculum designed specifically for Native communities. *II. Increasing Access to Reasonably Priced Financial Products and Services.* We will reflect on the lack of access to financial institutions and services in Native communities, and how it negatively impacts both the effects of learning financial management skills and asset-building efforts of Native families. *III. Increasing*

*Economic Opportunities by Combining Financial Education and Financial Investor Education Strategies.* We will explore the promise this educational combination holds for better assisting Native families and communities in controlling and growing assets. We will also highlight promising investor education strategies in Native communities. Finally, we will present our findings.

The information included in this chapter is intended to reflect the current and potential impacts of developing financial management skills in Native communities, but also speaks to the state of the general population in this regard – since the financial challenges Native families face reflect many of the challenges faced by the U.S. population at large. The current financial struggles being experienced by a majority of people in the United States speak to the need for creating and offering ongoing financial education toward the development of financial management skills on a grand scale. This effort should include specific elements designed to better inform all populations in culturally sensitive ways, especially targeting those populations whose cultural ideals and values may have a profound impact on the use and benefit of financial education in their communities.<sup>10</sup>

### The Importance of Developing Financial Management Skills

Financial education has been defined as that which “helps people develop the skills required to make informed choices and to take action that informs their financial well-being.”<sup>11</sup> There seems to be widespread agreement in both public and private sectors as to the importance of financial education, and the benefits of creating widely available opportunities for learning ongoing financial management skills. The degree of

consumer choice available today for financial products and providers requires knowledge and skill to evaluate available options and identify those that best suit specific needs and circumstances.<sup>12</sup> However, even universally available financial education is not a personal economic development tool if it is not coupled with greater access to financial institutions offering reasonably priced products and services. For many Native individuals and families, another issue must be considered: Does available financial education incorporate (or at least complement) traditional wealth-building and wealth-sharing structures and practices within Native communities?

Universally available financial education (available to everyone), has not yet manifested itself as a national public policy priority, nor is it close to becoming an institutionalized reality in the United States as a whole. There are, however, some financial education initiatives being implemented in the public and private sectors, and these initiatives typically offer financial education in two basic forms: financial training products and tools, including curricula and targeted financial materials; and organized programs, seminars, and/or plans (such as IDA programs and 401(k) plans) that create an institutional framework for delivering financial products and tools to customers. These two forms sometimes exist in cooperation, and sometimes independently. While this chapter outlines the availability of products and tools to deliver financial education services, Native communities tend to lack the nonprofit infrastructure and ready availability of other institutions to deliver these services.

Even though public schools are not required to offer courses and materials on financial education, the U.S. Department of the Treasury created the Office of Financial Education (OFE) in May 2002 with the mis-

sion to “ensure that Americans have access to financial education programs that help them obtain practical knowledge and skills to make informed financial choices throughout their lives.”<sup>14</sup> OFE also coordinates the Financial Literacy and Education Commission, which released the *National Strategy for Financial Literacy* (NSFL) in 2006. The report identifies the need to develop targeted materials for wide dissemination as a key strategy;<sup>15</sup> however, the dissemination of these materials will most likely be left to the private sector – or state and local public sectors – where a one-size-fits-all financial education strategy may not be adequate to serve all U.S. subgroups equally. It also seems likely that educators, economic development practitioners, and local governments will be left with the task of delivering these materials to their customers and constituents, and tailoring them to fit specific financial needs of their audiences.<sup>16</sup> A key challenge, identified by some Native advocates and others, is that OFE does not offer funding for program delivery and such funds are in scarce supply from other federal sources.<sup>17</sup>

Lack of financial services in many Native and other low-income communities, age of targeted audiences, location, environment, culture, and language are just some of the issues that the NSFL should better address when developing a national curriculum. The existing strategy seems to recognize its deficiency in this regard, but heavily relies on communities to address these issues. The NSFL states, “In some communities, such as on Native American reservations... there may not be an abundance of financial institutions. These communities seek specific strategies to help them better secure financial services resources, while gaining the products, underwriting, and delivery mechanisms that are culturally compatible.”<sup>18</sup> The government also describes its role in leading a financial education

initiative for the country (a role framed in large part by participants in a recent national forum held on the topic), as “filling in the gaps left by others and serving as an unbiased source of information.”<sup>19</sup> In many Native and low-income communities, the “gaps” can be very large.

Thirty-eight states have adopted personal financial standards for students, but only 15 enforce them, including standards requiring students to take an economics course. Only 10 states require that students at elementary, middle, or high school levels take a personal finance course. However, a small but growing number of states (including Pennsylvania and Georgia) are encouraging or requiring teachers to incorporate personal financial concepts into core subjects, such as math, social studies, and economics.<sup>20</sup> State-level individual development account (IDA) laws (matched savings accounts for low-income families to use for defined asset-building purposes), generally require financial education to be offered as part of state-supported IDA programs. Federal IDA law (the Assets for Independence Act) also requires that financial education be offered.<sup>21</sup> However, these federal programs are not universally available, and they mostly target adults. (For more information on IDAs, see the IDA chapter of this report.)

At the tribal government level, there are no requirements that financial education be offered to all members. However, many tribes are moving toward requiring some form of personal financial education in their tribally controlled school systems (or in school systems that serve large Native populations), with a significant number of these types of courses being offered in Native communities on a voluntary basis. The Cherokee Nation of Oklahoma’s Financial Fitness for Life program (which is mentioned in more detail later in this chapter) is a

good example of this positive trend. Several Native organizations working on financial education issues at the national level report that tribal leaders have expressed increasing concern over the need for financial education in their communities. Reasons for this concern include per capita payments and the maturation of large trust funds for Native youth. These two topics will be addressed in more detail later in the chapter.

Former Federal Reserve Chairman Alan Greenspan has stated, “As market forces continue to expand the range of providers of financial services, consumers will have much more choice and flexibility in how they manage their financial matters. *They will also need to accumulate the appropriate knowledge on how to use new technologies and on how to make financial decisions in an informed manner* (emphasis added).”<sup>22</sup> Additionally, according to the Office of the Comptroller of the Currency, “*Financial education is also essential to help consumers understand how to prevent becoming involved in transactions that are financially destructive* (emphasis added).”<sup>23</sup> Public policies – such as those promoting living wages for all populations, targeted tax-supported incentives for healthy financial management activities, positive childhood experiences with personal finances, changes in social norms, and consumer attitudes toward spending now versus saving for later – all have the potential to help improve financial outcomes for all families.<sup>24</sup> The two quotes above show that the breadth of financially destructive practices among Americans is common knowledge in the federal government, but policymakers have yet to effectively address the roots of these practices in a way that helps protect a vast number of American consumers – particularly minority populations – from experiencing financial difficulties or, at worst, economic ruin.

**“Native people who possess an understanding of sound financial principles are more likely to develop an interest in investment strategies for growing their wealth.”**

Financial education holds great potential for creating savvy consumers who may in turn develop the economic power to create a political demand for mainstream or alternative financial institutions in their communities – those that offer reasonably priced financial products and services. Financial education may also assist in decreasing the demand for, and use of, predatory financial lenders and services. Predatory financial businesses target financially troubled and/or cash-strapped people (often those with low incomes), offering financial products and services especially created to cater to people’s immediate needs, at exorbitantly high rates of interest – often including severe monetary or collateral penalties for non-payment of short-term loans.<sup>25</sup> Many families today have one foot in the mainstream

financial services sector (opening one or more financial transaction accounts) and the other in the alternative (predatory) sector, relying heavily on payday lenders, check cashers and rent-to-own stores, which together generate an estimated \$78 billion in revenue annually.<sup>26</sup> The Federal Reserve Bank has recognized the prevalence of predatory lenders in Native communities, suggesting that these communities consider instituting a variety of cost-effective alternative banking strategies “in house” to better serve their citizens. This is an alternative to depending on financial institutions that are able to prey on low-income communities because of unserved financial needs.<sup>27</sup>

Going hand in hand with the need for available long-term financial education and services is the need for greater development of financial investment skills in

Native communities. Financial investor education has become an important component of many financial education plans or programs.<sup>28</sup> Native people who possess an understanding of sound financial principles and have made a personal commitment to save money for long-term goals are also more likely to develop an interest in learning investment strategies for growing their wealth.<sup>29</sup> Whether investing in a regular savings account, a certificate of deposit, a house, a business opportunity, a college fund, stocks and bonds, or a retirement plan, Native people may also be more comfortable taking at least low-level financial investment risks if they are comfortable and confident in their ability to make sound day-to-day financial decisions.

### **The Importance of Research on the Effects of Financial Education**

More research on the effects of financial education and available financial services in Native communities is the necessary foundation to creating strategies that increase opportunities for Native economic success. Some of the best research and thinking today on the importance and availability of financial education, financial services, and financial investor education, points toward more fully examining the effects of instituting these services in the communities that would benefit the most – including Native communities.

To date, the most studied venues for financial education are schools, workplaces, and a variety of nonprofit and for-profit asset-building programs. Few studies have been executed at the community level, and even fewer target minority populations. Even though this section is intended to give an overview of how well-selected research relates the effects of financial education on individuals and

communities, we cite additional studies throughout the chapter, in the hope of illustrating the potential effectiveness and importance of research results for better understanding how available financial education and services might impact Native communities.

Research on financial education also focuses on particular aspects of the process, rarely addressing the larger picture, and very little research on the process targets Native communities. Research completed by the Federal Reserve suggests that increases in financial knowledge and experience can lead to improvements in financial behavior (in all populations). However, it merits consideration that a one-size-fits-all or one-delivery-technique-fits-all approach to financial education may be less effective in some communities than an approach that targets specific learning groups (such as Native people) and tailors programs to those groups.<sup>30</sup>

A study on the findings of general financial education research related to the larger U.S. population<sup>31</sup> suggests that:

- Relatively few U.S. households follow recommended financial management practices.
- A sizeable number of families have trouble paying bills on time.
- Many families use informal mental budgets for the short-term, and prefer techniques that are easily grasped.
- About 9 percent of all U.S. families were not “banked” in 2001, with the highest number being low-income minority families.
- A considerable number of households have very low levels of wealth, and more than half of all U.S. households do not possess adequate emergency funds.
- The majority of youth and adults in the United States have disturbingly low levels of economic, financial, and consumer literacy.

Researchers also study the ways that building wealth relates to income levels. One in four American working families now earns wages so low they have difficulty surviving financially, let alone saving and investing. Minority families fare even worse, with a full 40 percent being low income, twice the number of low-income white working families.<sup>32</sup> Unfortunately, the percentage of the population that is low income is even higher in many Native communities, where most existing jobs pay low salaries. These jobs belong to families with responsible, hard-working breadwinners who want to get ahead, but are stuck with low salaries, inadequate benefits, and little hope for advancement. Additionally, the jobless rates on many American Indian reservations typically fall between 25 and 80 percent, with some seasonal rates that most likely fall into percentages along the high end of that range.<sup>33</sup>

Financial education and access to financial services are only a few of the key factors related to improving financial stability for working-poor families. Results on the effects of living and surviving on very low incomes, included in a study funded by the Annie E. Casey Foundation, *The High Cost of Being Poor*,<sup>34</sup> includes the following data on the exceptional costs faced by low-income families:

- Families in low-income rural communities (such as Native American reservations and other Native



land-based communities) who lack access to super-market chains pay 17.5 percent more than the USDA recommended budget for food items.

- A homebuyer paying off a subprime mortgage at 13 percent interest on a loan of \$107,500 will owe \$514 more per month than the homebuyer with a prime mortgage at 7 percent. Over the life of a 30-year mortgage, the subprime borrower will pay \$184,000 more in interest. (This type of statistic also applies to cars and other large-ticket items purchased over time through high-cost lenders).
- In 2000–2001, low-income families spent almost 20 percent of their annual income on energy bills. For all other customers, the proportion was about 4 percent.
- In some communities, low-income families have come to learn the reasons why they should avoid these “extra” costs, but are trapped into continuously paying them because of a lack of available alternative affordable financial products and services.

This type of information is necessary for designing the kinds of financial education programs that would offer low-income families living in rural or remote areas viable options for more financially effective ways of “doing business.” Of course, that would also require that viable alternative institutions, products, and services exist, or be instituted. Overall, the research on the impacts of financial education is relatively new and might be viewed as inconclusive, but it makes a plausible case for instituting financial education in schools, businesses, and government. It also speaks to the correlation between the lack of available financial education/services and the high level of peoples’ financial difficulties.<sup>35</sup>

Relative to the benefits of businesses offering financial education, a 1996 study of the effects of financial education in the workplace found that both participation in and contributions to voluntary savings plans tend to be significantly higher when employers offer retirement seminars. Perhaps not surprisingly, the effect is typically much stronger for low-income than highly paid workers. The frequency of seminars offered emerged as a particularly important factor on savings behavior.<sup>36</sup> Since both the employment rate and number of jobs with these types of benefits may be lower in many Native communities, these data demonstrate the need for developing a strategy to increase the availability of financial benefits and services offered through existing employment. This research makes the case that more tribal governments (often the primary employer in Native communities) should offer financial education seminars to their employees – perhaps connecting these types of benefits to other asset-development strategies, such as increasing the number of Earned Income Tax Credit (EITC) recipients, and offering Individual Development Accounts (IDAs).

Research also correlates higher homeownership rates and retention of homes with financial education and homeownership counseling. In a study of 40,000 mortgages originated under Freddie Mac’s Affordable Gold homeownership program, the question was asked, “Does pre-purchase homeownership counseling demonstrably reduce 90-day delinquency rates?” and “Do the different types of pre-purchase homeownership counseling programs vary in their effectiveness at reducing delinquency rates?” The study found that, on average, people receiving homeownership counseling have a 19 percent lower 90-day delinquency rate – a significant number. Additionally, the study found that borrowers who received counseling through individual-

oriented programs experienced a 34 percent reduction in delinquency rates, all other things being equal, and that borrowers receiving classroom and home study counseling obtained 26 and 21 percent reductions, respectively.<sup>37</sup> To better make a case for increasing opportunities for financial education that includes specific homeownership counseling in Native communities, it would be helpful to begin to collect data on the financial education initiatives currently being offered pertaining to the effects of these initiatives on home purchase and retention rates.

Studies have demonstrated the evidence of short-term positive effects of offering financial education in schools – even though available data mostly relates to high school students. The following data come mainly from studies involving students exposed to the High School Financial Planning Program® (HSFPP) curriculum during two periods: between September 1997 and January 1998, and between September 2003 and January 2004. The curriculum is supplied to schools at no cost by the National Endowment for Financial Education (NEFE). For the 1997–1998 studies, which were conducted by researchers from the University of Minnesota and the University of Wisconsin, over 4,000 students from 188 high schools across the United States returned surveys after completing the HSFPP curriculum. More than 400 students and their teachers completed a follow-up survey.

The study results are based entirely on student and teacher subjective assessments, and no control group was used to benchmark the results. But even with these limitations, the study authors concluded that “teaching personal finance in high schools can positively impact the financial knowledge, behavior, and self-efficacy levels of teens.” Immediately after completing the HSFPP

curriculum, almost half of the students in the study reported increases in their financial knowledge. The study authors also reported, “the area where the most students increased in knowledge was in understanding the cost of credit.” Results like these could help reduce future susceptibility to predatory lenders and credit card abuse. In addition, about a third of the students reported changes in behavior in tracking expenses and setting and achieving money-management goals.

Teachers generally agreed with their students’ self-assessments, indicating a “marked change in knowledge and behavior in students after participating,” with “the most changes in the areas of consumer credit, car insurance, time value of money, and tracking expenses.” And of the subset of students who completed follow-up surveys three months after their training, nearly 40 percent had started saving money, and 31 percent reported that opening a savings account was the most important financial planning activity they engaged in after completing the course.<sup>38</sup> Similar results were recorded in the 2003–2004 study, which numbered over 5,000 students completing surveys.

The results of these studies suggest that, in many cases, even relatively limited exposure to financial education can impart significant, lasting, and practical personal financial knowledge to young people from all populations and all walks of life.<sup>39</sup> These studies, however, did not address the bigger picture of developing financial management skills that include data on the effects of the availability, or lack of availability, of affordable financial products and services on the use of financial training imparted to high school students. This factor is lacking in much of the financial education research aimed at children,<sup>40</sup> particularly many Native children and those in low-income families.

## Expanding Opportunities for Accessible Financial Education in Native Communities

### **Opportunities for the General Population**

Over the last 15 years, financial education opportunities (which started as a smattering of programs and related materials) have increased dramatically, through a myriad of private and public efforts. Before the early 1990s, most free financial education for people with low to moderate incomes was delivered through land grant university extension programs and credit counseling services. In 2000, an examination of 90 financial education programs showed that over two-thirds were started in the 1990s, with three-fourths of those initiated in the late 1990s.<sup>41</sup> A significant number of the programs initiated during this period were provided by financial institutions. This delivery method did not prove effective for Native communities, however, since 86 percent lack a single financial institution inside the borders of their community and the nearest financial institution for many Native communities can be as far as 100 miles away.<sup>42</sup>

The need to establish effective policies and institutional mechanisms for the delivery of financial education should be not only a Native priority, it should be a priority for the United States population in general. Financial management skills are important for all people to attain, and these skills are becoming more important every day. According to a 2005 study by the Federal Reserve, the personal savings rate for all Americans was a negative number for the first time since the Great Depression, with only four out of 10 people saving regularly. Savings are down and bankruptcies are up, as are foreclosures on homes and credit card debt collection. A significant

number of middle- and high-income earners in America are now living beyond their means. Debt is now 108.4 percent of income across all households for the first time since the Federal Reserve has been collecting these data.<sup>43</sup>

According to Elsie Meeks, who is executive director of First Nations Oweesta Corporation and a resident of the Pine Ridge Reservation, “Too many of us don’t learn sound financial principles at home or at school, but only realize this when we grow up and go out on our own and get into some type of financial trouble. Of course, by then it’s too late.”<sup>44</sup> Many minority populations in the United States have even less exposure to productive economic development opportunities early in life than their white counterparts, due to the greater level of persistent poverty in their communities. People who live in communities of poverty do not typically have employment opportunities that pay them a living wage, let alone offer opportunities for saving or leveraging wages and funds to build assets. Subsidies and benefits such as direct deposit, payroll deduction for savings, matched retirement savings, and subsidized college tuition are mostly not available to low-income earners.

These types of circumstances are prevalent on many Native American reservations and in other Native communities:

- Poverty rates for Native Americans and Alaska Natives are twice that of the overall U.S. population (25.7 percent versus 12.4 percent).<sup>45</sup>
- Indian family poverty is three times that of the overall U.S. population.



- Real per capita income of Native people living in Indian Country was less than half that of the overall United States average.
- Native unemployment is more than twice the level of overall unemployment in the United States.<sup>46</sup>

If gaining a higher level of economic self-sufficiency for more Native people is to be realized (non-reliance on public benefits), better access to education, job training, and asset-building opportunities is necessary.

Financial education strategies that include opportunities for building assets may hold much promise in Native communities. The concept of assisting populations with low incomes to build personal and community assets (with the same level of government commitment afforded asset-building strategies for middle- and high-income populations) has gained support from a considerable number of scholars and policymakers. Adding opportunities for wealth accumulation to the delivery of temporary income assistance may revolutionize the way the United States and international communities address economic strategies for those in the lowest income brackets. Research on this topic focuses on the fact that standard entitlement programs are designed to provide individuals and families with short-term infusions of capital resources without encouraging longer-term asset-building opportunities. These practices do very little to improve the long-term economic circumstances of those being served, since they rarely get opportunities to store the financial assets necessary to act as safety nets in case of emergencies.<sup>47</sup>

Combining financial education with asset-building programs and initiatives (a strategy designed to create opportunities for purchasing assets such as a homes,

post-secondary educations, or businesses) is proving to be more effective in changing people's financial behaviors than short-term financial assistance alone. Behavior changes may be more likely to occur with an infusion of basic financial skills and education training along with asset-building strategies.<sup>48</sup> In other words, IDAs and other initiatives are designed to provide matched savings as incentives for acquiring defined assets (such as a homes, businesses, or higher education). Financial education and access to affordable financial services are the catalysts.

As previously mentioned, even as efforts to provide increased access to financial education for low-income populations continue, the long-term effectiveness of such a "stand alone" strategy remains in question – particularly in places where the problem is not only a lack of available financial education, but also a lack of access to financial institutions, and the rise of high-cost predatory lending services taking the place of legitimate financial services providers. According to research conducted for the Fannie Mae Foundation, from 1996 to 2001 the number of these high-cost lending institutions in the United States doubled.<sup>49</sup> We will deal with this topic in more detail later in this chapter.

### **Opportunities for Youth**

*"Financial education is a process that should begin at an early age and continue throughout life. This cumulative process builds the skills necessary for making critical financial decisions that affect one's ability to attain the assets, such as education, property, and savings, that improve economic well-being."*

*-Alan Greenspan, Former Federal Reserve Chairman*

Youth may be the most vulnerable population demographic in regard to the potential of experiencing financial disaster from the lack of developing financial management skills.<sup>50</sup> This may be particularly true for Native youth, who suffer from a greater lack of accessible financial education programs and services than many other minority populations, due to the remoteness of many reservations and Native communities. More research needs to be completed on the effects of financial education and available financial services on youth, particularly Native youth in reservation communities who are also more likely to be exposed to negative financial behaviors.

In contrast to the more positive results from research on the HSFP curriculum detailed earlier in this chapter, statistics from the most recent longitudinal survey of high school students by the Jump\$tart Coalition indicate that little progress has been made over the last nine years in educating youth, overall, on basic financial skills. For the 2005-2006 school year, a comprehensive written survey of 5,775 high school students in 37 states measured 12<sup>th</sup> graders' level of knowledge of personal finance basics and compared the results with those from similar surveys conducted in 2004, 2002, 2000, and 1997. The average score for the 2005-2006 survey was 52.4 percent, essentially identical to the average of 52.3 percent in the 2003-2004 survey.<sup>51</sup>

On closer examination of the 2004 Jump\$tart survey results, Native youth generally trail their non-Native counterparts, with scores indicating an 80 percent failure rate. Native youth also consistently rank near the bottom of the four major test areas: income, money management, savings, and spending. Dr. Lewis Mandell of the State University of New York at Buffalo, who prepared the Jump\$tart survey, stated,

“Native American youth are less prepared to make informed financial choices than their peers, according to tests of high school seniors conducted by the Jump\$tart Coalition.”<sup>52</sup>

These findings highlight the importance of developing partnerships dedicated to improving the financial management skills of Native youth, such as a recent one forged between the National Congress of American Indians (NCAI) and the Native Financial Education Coalition (NFEC) to promote the availability of financial education and mentoring for Native youth in family, classroom, and community settings.<sup>53</sup> The main goal of these partnerships should be to assist Native youth in becoming more financially savvy adults, capable of making informed decisions about financial matters and other types of asset-building opportunities. Combined with strategies to increase the availability of financial services and products accessible to youth, these types of partnerships will likely improve the range of impacts these “investments” in Native youth will have on Native communities. Financially savvy youth could make an important contribution to the economic future of Native communities, since they will be the tribal leaders of the next generation.<sup>54</sup>

Other strategies for encouraging youth (and adult) participation in financial education programs include tribes connecting per capita payments (especially youth payments) to financial education, although the adoption of this strategy is slow going. Other innovative but mostly untried ideas proposed by advocates in some tribes include putting per capita payments directly into an investment or bank account, or giving people (particularly youth) the option of depositing them into IDAs or IDA-like accounts, requiring financial education courses be taken before the money can be accessed, and creat-

ing “benchmark incentives,” where \$500 is deposited by the tribe for every \$5,000 saved by a youth or adult member for an asset-building purpose.

### **Opportunities Created Through Studying and Replicating Promising Practices for Teaching Financial Management Skills to Native Youth**

A number of Native communities are beginning to initiate financial education programs. Some Native nonprofits are joining together with other nonprofit groups (both Native and non-native) to teach culturally informed financial education to the children of the community. However, although promising youth financial education initiatives are being successfully implemented in several Native nations, the practice is not yet widespread, and little research has been completed on the effects of these programs. Examples of personal financial education taught in tribally controlled school systems (or in school systems that serve large Native populations) include:

- The Mini Society curriculum (for financial education), which has been used at the schools near the Fort Peck reservation in Montana.
- The Building Native Communities: Financial Skills for Families curriculum that has been used at the high school in Harlem, Montana, which serves a large number of Native youth from the nearby Fort Belknap Indian Reservation.
- The Oneida Nation of Wisconsin is considering offering investor education as a part of high school life skills classes.
- The Salt River community’s recently instituted program providing basic financial education for all tribal youth, using FDIC’s Money Smart curriculum in local elementary schools.

Additionally, the Youth Initiatives Committee (YIC) is hosted by the Native Financial Education Coalition (NFEC). Membership in the YIC is open to any organization working on or interested in improving personal finance skills of youth in Native communities, and members include representatives of educational, youth-oriented, and Native-oriented organizations.

A “webinar” held in October 2006 was dedicated to sharing information and lessons learned about innovative Native youth financial education programs. Presenters were individuals who are delivering financial education to Native youth across the country. NFEC co-hosted the event with the Lac Courte Oreilles Ojibwa Community College (LCOOCC) Extension at the Hayward, Wisconsin campus. The place-based and online seminar was presented in conjunction with Money Smart Week Wisconsin, the Wisconsin Department of Financial Institutions, and the Federal Reserve Bank of Minneapolis.

Presentations were made from people representing nine initiatives promoting Native youth financial education, including:

- The Ando-giikendaasowin Native American Math and Science Summer Program, held at the University of Minnesota in Minneapolis/St. Paul. The summer program is offered annually to all Native youth, and features a personal financial literacy track titled “The Trading Post.”

- The Eastern Band of Cherokee Indians in Cherokee, North Carolina, offers a six-week summer workshop for high school juniors and seniors titled “Summer College Experience,” targeting potentially college-bound youth, providing classes on both college preparedness and financial education and money management.
- Eastern Cherokee also offers a financial education program called Qualla Financial Freedom, which hopes to address the greater need for financial education and investor education among Eastern Cherokee youth, and assist tribal members to better leverage per capita payments.
- The Oneida Nation of Wisconsin offers a financial education program dedicated to helping youth more effectively leverage their tribal trust fund payouts, which they receive at age 18. The program encourages youth to use their funds for post-secondary education and investments.

Another recently developed Native financial education initiative for youth was one started in January 2005, when the Boys & Girls Clubs of America (BGCA) received funds from Charles Schwab Bank to implement a special financial education pilot project at four Native American Boys & Girls Clubs. This initiative focuses on promoting financial responsibility within select Native communities and engages Native youth in activities that will help them build basic money management skills.

Using the Boys & Girls Clubs of America’s financial education curriculum, MoneyMatters: Make It Count (developed in collaboration with the Charles Schwab Foundation), each Native site participating in the initia-

tive designates a program coordinator who is tasked to establish a financial education program at his or her club. The pilot sites are also charged with evaluating the curriculum’s suitability for other Native communities across the country, and with providing recommendations for possible adaptation and usage by all Boys & Girls Clubs in Native communities.<sup>55</sup>

Additionally, the Cherokee Commerce Department and the local Boys & Girls Club of Cherokee Nation in northeastern Oklahoma partnered to begin a broad-based youth financial education program. The financial education curriculum developed for the program is based on Financial Fitness for Life, a program created by the National Council on Economic Education. Each module of the program is grade specific (K-12) and incorporates interactive games with learning financial skills. The model at Cherokee Nation, started in May 2006, is an effort led by the tribal government to provide supplemental financial education to Native youth in the community.

Cherokee Nation of Oklahoma was also competitively chosen to be a site for a national policy and practice demonstration on children- and youth-matched savings initiatives called “Saving for Education, Entrepreneurship, and Downpayment (SEED).” SEED will test the efficacy of these initiatives and inform policy development of a national system of asset-building accounts for children and youth. The first full year of operation for SEED was 2004, and the initiative is proposed to end in 2012.

SEED is led by five national partners: CFED; Center for Social Development at Washington University in St. Louis; the Initiative on Financial Security of the Aspen Institute; the New America Foundation; and the Univer-

sity of Kansas School of Social Welfare. SEED is funded by a group of 10 nationally known philanthropies, including the Ford Foundation, the Charles and Helen Schwab Foundation, and the Citigroup Foundation, and it focuses on different age groups and educational levels of participating children and youth. The Cherokee SEED matched-savings program is the only Native-run program in the demonstration, and is open to Cherokee high school students. At present, savings in the Cherokee youth accounts is happening, but is slow going (as it is at some of the other SEED sites). New strategies are being developed to get participating youth and parents more engaged in the savings effort. SEED requires a financial education component to the demonstration – offered at all sites.<sup>56</sup>

### **Opportunities Afforded Through the Work of the Native Financial Education Coalition and Use of the Building Native Communities Curriculum**

The Native Financial Education Coalition (NFEC) has been creating financial education strategies and opportunities specific to Native communities since it was organized in 2000. NFEC's members include local, regional, and national organizations, both Native and non-Native, public and private, all working together to achieve the common goal of promoting widespread financial education in Native communities. Started initially through the U.S. Department of the Treasury, NFEC is now independently managed by First Nations Oweesta Corporation in Rapid City, South Dakota. NFEC's mission is to:

- Increase awareness of the need for adequate personal finance skills in Native communities.

- Build the capacity of Native governments and organizations to provide effective financial education for their communities.
- Support members' efforts to promote financial management skills in Native communities through increased information sharing and collaboration.<sup>57</sup>

NFEC acts as a national clearinghouse for financial education information and resources for Native people; it provides access to a variety of financial education programs through its website.<sup>58</sup> The organization also works to promote awareness of the challenges related to providing financial education in Native communities, promoting the use of resources that are Native specific, such as the curriculum titled *Building Native Communities: Financial Skills for Families* (BNC). The coalition pulls together organizational resources from private and public entities dedicated to establishing financial literacy and improving the economic well-being of Native people. To date, NFEC is the only coalition effort specifically targeting the development and implementation of comprehensive financial education in Native communities.

The BNC curriculum, a suite of training materials encompassing various financial education modules relevant to building Native financial assets, is dedicated to increasing the economic understanding and personal financial management skills of Native people. BNC encourages Native people to tap into the wealth of knowledge about their communities that they already possess – by encouraging an expanded sharing of knowledge about financial matters. It presents financial education in the context of Native culture and daily life, which assists many Native learners in better understanding the relevance and usefulness of the information.



Since its release, BNC has quickly become a sought-after financial-education tool for Native communities.

The curriculum originated in 2000 with the publication *Building Native Communities: Financial Skills for Families*, created by First Nations Development Institute with the support of the Fannie Mae Foundation. This curriculum covers basic financial skills and consists of a participant workbook, instructor manual, and resource guide. Interest in the basic financial skills curriculum led First Nations to create modules that dealt with more specialized issues in Native financial education. In 2003, the Annie E. Casey Foundation supported the development of a BNC consumer workbook focused on assisting Native community members in accessing the Earned Income Tax Credit (EITC). The workbook is now complemented by a handbook (developed in 2004–2005) targeted at assisting tribal and community leaders in developing outreach campaigns to promote

the EITC. The next workbook was developed to provide Native-specific perspectives for participants in Native IDA programs.<sup>59</sup> The most recent addition to the BNC is an investor manual titled *Building Native Communities: Investing for the Future*. The manual teaches general investment principles with an intuitive and culturally focused course curriculum. The curriculum illustrates how to identify personal or business-related goals and outlines various ways of achieving them. Easy to read and teach, each session offers exercises and insights through story shorts that take place in a tribal community setting. First Nations Oweesta Corporation partners with First Nations to offer regular instructor training workshops to provide community practitioners with the necessary skills to adapt and teach these products in their communities.

A number of tribal and non-profit organizations serving Native communities are using the BNC to promote financial education in their communities. Outstanding examples of providers and their experiences are outlined next.

### Financial Education Encourages Natives to Buy Homes in Alaska

*"Because we have a limited time for the financial education [courses], we use different sections of the BNC and supplement [the financial education program] with other programs specific to our clients' interests. In most cases, our savers want to know about costs associated with buying a home, so we use the BNC to discuss saving for a home, utilizing our housing authority to teach clients about the costs associated with home repair, upkeep and closing costs. The BNC allows our clients to [first] feel comfortable with finances before moving into the realm of home buying."*

*-Kim Leeper, IDA Coordinator, Cook Inlet Tribal Council*

Cook Inlet Tribal Council, Inc. (CITC), provides social, educational, and employment services to 12,000 Alaska Natives and Native Americans, annually, living in the Cook Inlet region of Alaska, near Anchorage. Established in 1983 as a nonprofit social services organization, CITC administers 35 culturally appropriate programs, including IDAs, financial education, and a comprehensive vocational rehabilitation employment program.

### A Strong Cultural Tie-in to Financial Education in Montana

*"We normally use the BNC as an introductory piece to financial education ... we add to it depending on the topic. Since it [BNC] is the only Native-specific financial education curriculum I know of it [better] helps our students learn about the importance of financial education through a cultural lens ... tying in culture is a must for our students."*

*-Henry Thompson, Extension Services, Chief Dull Knife College*

Chief Dull Knife College on the Northern Cheyenne Reservation in southeastern Montana partnered with a bank, a credit counseling service, the state Department of Public Health and Human Services, Career Development Workforce, and the Montana State University Extension Service to create an impressive financial education and asset-building program for the community. The BNC curriculum is used as a foundation for a series of financial education classes and student orientation and workshops. In the summer of 2006, Chief Dull Knife College began coordinating the seven tribal colleges in Montana to develop a financial education kit that will include resources, literature, contacts, and research to assist tribal college educators in developing a broad-based financial education curriculum in Montana, serving many Native communities.<sup>60</sup>

### Tribal Leaders Support an Award-winning Financial Education Program in Oregon

*"We use the BNC, which is very well written, but modify it to serve our customers. Not all the examples in the BNC pertain to our customers, and we don't want to inundate them with information they may not understand or use - but we found the BNC easy to adapt to exactly the curriculum that suits our community's needs."*

*-Barbara Roloff, Director of Housing, Confederated Tribes of the Umatilla Indian Reservation*

The Umatilla Reservation Housing Authority in Pendleton, Oregon, offers the *Wapayatat: Financial Education and Homebuyer Series*, which lends assistance in moving middle-income families on the Umatilla Indian Reservation from subsidized housing into homeownership. It offers a financial education program that teaches community members about saving, budgeting, credit, mortgages, closing costs, insurance, taxes, predatory lending, long-term planning, and home-buying tools, along with an IDA program to help interested tribal members come up with down payment and closing costs. To qualify for the 3:1 IDA matching funds, customers must both attend financial education classes and achieve at least six months of saving. The program, titled *"Homeownership: Financial, Credit & Consumer Protection Program,"* of the Confederated Tribes of the Umatilla Indian Reservation, was a 2006 honoree of the Honoring Nations initiative of the Harvard Project on American Indian Economic Development. The primary focus of the Umatilla financial education program is to assist people to address credit issues and get financial skills on track before a home purchase is made – the program has been utilized successfully by almost half the Umatilla community and a majority of tribal leaders.

## Positive Results Lead to Including a Native Investor Component in Financial Education Program in Arizona

*"Our measures for homeownership/financial education literacy indicate a 60 percent increase in financial and homebuyer knowledge after taking our financial education courses."*

*-Lisa Deer, Salt River Pima Maricopa Indian Community Housing Division*

At Salt River Pima Maricopa Indian Community, leaders are in the early stages of developing a community-wide financial education academy. Their plan for the academy is to offer three levels of financial education to the community. Level one is an introductory curriculum utilizing FDIC's "Money Smart" for both adults and youth who need to learn basic financial skills. Level two is geared toward, but not restricted to, potential homeowners and those interested in IDAs. Level three utilizes the BNC *Investing for the Future* curriculum. The goal for financial education outreach is to serve all segments of the community in order to build a solid foundation of financial literacy for tribal members. Ideally, graduates from each level would be well-equipped with the knowledge needed to progress to the next level of financial training.

Several national and regional organizations are committed to moving forward on providing financial education in Native communities. For example, due to efforts by NFEC partners within the American Indian Higher Education Consortium (AIHEC), which represents a total of 34 tribal land grant colleges, a resolution was recently passed (by AIHEC) to institutionalize financial education programs in member college curricula and establish a financial education liaison for this purpose. More than 18 of the 34 tribal college institutions are currently active in the NFEC Tribal Colleges and Universities Initiative Committee, and the number continues to grow. Regular presentations at AIHEC meetings and related conferences continue to spur this movement, and many members have sent instructors to the *Building Native Communities* instructor training workshops.

Another good example of this trend is a partnership developed between NFEC and the National Indian Education Association (NIEA). NIEA signed a memorandum of understanding with NFEC in October 2005, hoping

to promote initiatives that will increase financial education opportunities for Native youth. This partnership has already helped connect national financial education providers, such as the National Council for Economic Education and Junior Achievement, with schools that serve Native communities. During their 2005 annual conference, NIEA membership endorsed NFEC's policy recommendation to tribal and state policymakers to require or encourage schools to incorporate financial education in a culturally sensitive manner.<sup>61</sup> NFEC conducts financial education program development workshops at NIEA's annual conferences and is also developing a recognition program that encourages classroom-based initiatives promoting the development of financial management skills.

In the area of equipping future Native homeowners, the National American Indian Housing Council (NAIHC) assists in offering financial education to Native homebuyers through the *Pathways Home: A Native Homeownership Guide* curriculum. The program "trains the trainers,"



certifying participants to return to their communities and counsel tribal members on the homeownership process. According to then-NAIHC chairman Chester Carl, “Native Americans are increasingly acquiring the resources needed to purchase a home, but may need to increase knowledge of the banking process in general (if they are to become more successful homeowners).”<sup>62</sup>

The efforts to increase opportunities for financial education and access to financial services on reservations are important for the economic success of these Native communities, but since many Native people reside in urban areas, it is also important to recognize the significance of a small but growing number of urban Indian centers offering financial education programs, including American Indian Children’s Council in Los Angeles; United Indians of All Tribes Foundation in Seattle; and Native American Youth and Family Center in Portland. Some of these programs are either currently tying financial education initiatives to other asset-building strategies (such as IDAs), or planning to do so in the future.

### **Increasing Access to Reasonably Priced Financial Products and Services in Native Communities**

The prevalence of destructive financial decisions being made by Native people is a major concern. The lack of mainstream financial service providers in areas where a significant number of Native and other low-income populations live, work, and shop (particularly on or near American Indian reservations and Native villages and homelands), has spawned a dramatic rise in predatory financial service providers and businesses – mostly located near the reservations, factories, businesses, and companies where many Native people with low incomes

work. The owners of these predatory businesses have stated (before Congress) that they offer a much-needed service for their target populations – despite the fact that they often leave a cycle of asset-stripping and financial dependency in their wake.<sup>63</sup>

The poorest counties in the nation include many of those located on or near American Indian reservations. Shannon County, located in south central South Dakota, home to the Pine Ridge Indian Reservation, charts a poverty rate of 52.3 percent and a household median income of \$20,916.<sup>64</sup> This situation is mirrored on reservations across the United States, as stated in the U.S. Department of the Treasury’s Native American Lending Study (NALS.) The lack of an organizational financial infrastructure, a successful business climate, and legitimate financial institutions with fair lending practices all add up to an environment that is apathetic to learning about, experiencing, or utilizing financial opportunities.

NALS points out that only 14 percent of Indian lands located in the continental United States have a “legitimate” financial institution in the community, with fewer than half having a financial institution anywhere nearby. Additionally, the study stated that 15 percent of Native people must travel more than 100 miles to reach a bank or automatic teller machine.<sup>65</sup> Predatory lenders are the businesses most often willing to fill in the gap of financial services in Native communities. Several of the major characteristics of the increase of predatory lending in Native communities include<sup>66</sup>:

- Incomplete information. Predatory lenders often withhold information related to fees, charges, and terms of the loan from the borrower. This prevents Native borrowers from making informed decisions.



- Lack of freedom of choice. The ability of borrowers to avoid a loan or to choose from competing products is limited or non-existent.
- Targeting a less-informed population. These lenders target vulnerable populations such as Native communities – particularly courting communities likely to have little or no experience with mainstream financial institutions or with overall low education levels (people who would likely have low incomes).
- Well-defined sales practices. Intentional and systematic patterns of selling over-priced loans target members of the community whose mental, physical, or intellectual status could make them especially vulnerable to purposefully confusing sales tactics. This also includes a pattern of targeted selling practices to people who are vulnerable through distressed economic or educational conditions.

The National Community Reinvestment Coalition, dedicated to increasing access to affordable capital in low-income communities, completed a study in 2000 revealing that Native Americans fall victim to predatory lenders much more often than the general population, and are nearly twice as likely to receive sub-prime loans as white Americans.<sup>67</sup> Additionally, a survey conducted by the National American Indian Housing Council found that 65 percent of Native respondents reported being victimized by lenders who charged them as much as 25 percent interest on mortgages, and 18 to 24 percent interest on home improvement and mobile home loans. Native respondents also routinely reported being charged fees equal to 10 to 15 percent of the loan amount, in addition to having high prepayment penalties leveraged against them.<sup>68</sup>

Measures are being taken in some Native communities to fend off predatory lending practices. In 2005, Marilyn Kockrow, an instructor at the Oglala Lakota College in South Dakota began teaching personal finance courses with the hope that her students could avoid the traps of predatory lending services. Kockrow stated that, in her opinion: “It is such a huge problem here, because most of our students have never dealt with finances or banks, they fall victim to no-hassle mortgages and car dealers willing to finance at outrageous interest rates... and then end up losing everything once the payments become too much to handle.”

In 2003, First Nations partnered with the National Congress of American Indians and CFED to produce a briefing paper on financial education in Native communities. The paper, an initiative of the Native Financial Education Coalition (NFEC, then the Native American Financial Literacy Coalition), pointed out that the majority of Native respondents to the U.S. Department of the Treasury’s Native American Lending Study (NALS) stated there were no programs that provided financial education in their respective communities.<sup>69</sup> This research makes a connection between financial education and both the lack of access to reasonably priced financial services, and the prevalence of predatory lenders and services providers. As financial education programs and initiatives are developed for Native communities, goals should include encouraging the avoidance of predatory lenders and practices.

The *Predatory Lending in Native American Communities* study, completed by First Nations, found that over 80 percent of Native respondents felt that predatory lending practices were at least a “moderate” to a “very great” problem.<sup>70</sup> Educating Native individuals and families about predatory lending practices will help en-

sure that future generations of Native people do not fall victim to predatory financial services providers. In order for substantial change to occur in Native communities, the importance of financial education must be embraced by Native communities and their leadership, and opportunities must be provided to access the resources and institutions necessary to improve financial management skills in these communities.

Elsie Meeks, Executive Director of First Nations Oweesta Corporation, Chair of the Native Financial Education Coalition, and founder of The Lakota Fund, sees CDFIs as a critical tool in making “structural changes in how Native communities can advance their own interests.”<sup>71</sup> As First Nations Oweesta Corporation, First Nations, and other community and economic development intermediaries, practitioners, and scholars have pointed out, the lack of community-owned businesses channels income and other monies from reservations into the bordering towns, perpetuating a cycle of poverty and disenfranchisement for Native people. The lack of financial institutions within Native communities acts as a hindrance to accessing the financial services necessary to foster and drive business development. Native CDFIs are providing the capital and technical assistance necessary to support Native-owned businesses that have begun to redirect ownership and control back into reservation communities.

### **Increasing Economic Opportunities by Combining Financial Education and Financial Investor Education Strategies in Native Communities**

Indian Country is becoming an economic dichotomy. A small portion of tribes are helping their members to move well beyond economic subsistence living, while the vast

majority of Native nations are still struggling with poverty and the myriad effects of economic adversity. Even in the most economically successful tribes, where basic financial education may be offered, many individuals lack the additional knowledge and skills to most effectively utilize greater financial resources. The need for this education is even more pressing given the fact that high-income people do not necessarily have well-developed financial management skills either, even though they may have a higher margin for error. One of the challenges of financial education in impoverished communities is that practitioners (and policymakers) are requiring that low-income people be more accomplished financial managers than their higher-income counterparts.

Learning financial management skills and gaining better access to appropriate financial products and services are natural precursors to learning financial investment skills, which is the next logical step toward financial prosperity and success in Native communities. Tribes could develop their own ways of growing and leveraging personal and tribal funds for future economic development purposes and for future generations, realizing personal and community economic development goals as a result of the process. Only a few years ago, this would have been an almost impossible task for many Native communities. However, this tide has turned as more and more of these communities are experiencing new influxes of wealth.

The seeds have been sown for a tremendous growth spurt of economic development in Indian Country. An analysis of census data (1990 to 2000) indicates some significant improvements for Native Americans in the categories of employment, income, housing, and educational attainment. The economic gains generated by Native Americans outpaced the general U.S. population

**“The gains made in economic conditions are improving the conditions of only a limited number of Native people.”**

in all the above categories.<sup>72</sup> These gains are attributed to the success of tribal entrepreneurship and manufacturing, gaming, and better control and utilization of natural resources on tribal lands. Conversely, the gains made in economic conditions are improving the conditions of only a limited number of Native people, in a relatively small number of Native communities. Therefore, work still needs to be accomplished in many areas, including support for economic change by tribal leaders and education of Native community members on investment opportunities resulting from new wealth opportunities.

The economic upturn that has begun to take place in a number of Native communities (and on some reservations around the country) could be augmented by offering both financial education and investor education for individuals and tribes. Furthermore, new wealth opportunities carry important economic and social consequences, including the prevalence of predatory investment practices and scams, and increased social ills such as crime and tribal social disorder related to the management of financial matters. A trend has developed toward tribes investing in resources for the betterment of their communities, heightening the importance of including investor education as part of any financial education plan or program established for tribal members.

There are three major vehicles that have created an influx of “new wealth” financial resources: controlling and utilizing natural resources, investing in the ample and available labor market in Indian Country, and gaming. Issues such as acquisition and expanded use of trust land, lack of accessible mainstream or reasonable-cost

financial institutions, products and services, and lack of a substantial tax base have hindered economic development until recent policy developed that allows for at least some increased financial opportunities in Indian Communities.

Federal policies encouraging the above-mentioned opportunities, such as the Small Business 8(a) Business Development Program (a business development program named for a section of the Small Business Act, created to help disadvantaged small businesses compete in the American economy and better access the federal procurement market) have been directed at Native communities out of the dire need to improve economic development, and have so far worked to improve economic conditions significantly. For the first time since the inception of the reservation and trust land system, Indian communities are finally gaining the power to realize significant improvement in their economic conditions, due mainly to the potential of new opportunities to utilize the entrepreneurial skills of Native Americans, and the establishment of policies that create true avenues for economic growth.

### **Creating Opportunities for Native Communities to Grow New or Sudden Wealth**

With new wealth entering Native communities, some villages and tribes (including individual members) have found themselves in an unfamiliar situation: at last having financial resources that exceed those meeting basic needs for the tribes and their members. Since most tribes are relatively inexperienced with having an excess of financial resources, the need to educate Native people on how to best manage and grow personal and collective finances is becoming increasingly necessary. As

reported in a 2003 Wall Street Journal article discussing the payouts from Southern Ute's Growth Fund, "On the big payday last fall, many members headed straight from the bank to a pawnbroker, where they retrieved \$20,000 in saddles, blankets, tools, chainsaws, jewelry, and even cars."<sup>73</sup>

With the onset of gaming on Indian trust land subsequent to the 1987 Cabazon Tribe case (*California v. Cabazon Band of Mission Indians*, 480 U.S. 202), which upheld the tribe's sovereign right to determine how it would manage their gaming enterprise, local economies of some tribes began to change dramatically. Recent media reports and the unfolding of lobbying scandals involving Indian gaming monies have dramatically overstated the overall financial windfall from gaming. Of the more than 560 federally recognized tribes, less than half (224) are involved in type II or III gaming (which include games of chance and slot machines, respectively).<sup>74</sup> Additionally, net revenues created from gaming are mandated by governmental compacts (IGRA, 25 U.S.C. 2710, Section 11) to be used for:

- Funding tribal government operations or programs.
- Providing for the general welfare of the Indian tribe and its members.
- Promoting Tribal economic development.
- Donating to charitable organizations.
- Funding operations of local government agencies.

Three-fourths of gaming tribes devote all of their revenue to tribal governmental services, economic and community development, and contributing to neighboring communities and charitable purposes. Only about one-fourth of gaming tribes (73) engaged in gaming distribute per capita payments to tribal members.<sup>75</sup> Additionally, the total number of federally recognized gaming tribes with members who actually benefit from per capita payments is less than 15 percent. Reflected in these statistics is the unfortunate fact that, in many cases, the funds devoted to services for gaming tribes (from gaming revenues) replace federal dollars that are invested in similar communities without gaming. This discrepancy means that the effect of successful tribal gaming operations could easily be overstated, and suggests that this issue requires further tracking, study, and consideration.<sup>76</sup>

A number of tribes stand out as examples of how to use "new wealth" revenues effectively to alleviate poverty and grow wealth for the tribe and tribal members. The following case studies illustrate this concept.



## Financial Success Stemming From Gaming: The Shakopee Mdewakanton Sioux Community

*"Twenty-five years ago our lives were very different. There were dirt roads on our reservations and many of tribal members lived in poverty ... with the advent of Indian gaming our lives have changed dramatically."*

*-Stanley Crooks, Chairman, Shakopee Mdewakanton Sioux*

On the strength of one of the most successful gaming casino-resorts in the Midwest, Mystic Lake Casino in Minneapolis, the Shakopee Mdewakanton (Dakota) Sioux Community (SMSC) is a success story for economic development and Indian gaming. Revenues from gaming and non-gaming enterprises pay for tribal operations and the infrastructure of the tribal land and emergency management units. Over the last decade, SMSC has all but eliminated poverty for individual tribal members and has donated over 57 million dollars in the last seven years to a variety of charitable and tribal organizations. Since then, SMSC has diversified its enterprises to include a recreational vehicle park, a children's learning and recreation facility, and a state-of-the-art wellness center.

The operations of the gaming enterprises are handled by three distinct tribal entities; SMSC Business Council, Little Six Incorporated, and the Gaming Commission. Each plays a different role in operating the community's gaming and nongaming activities. The SMSC Business Council governs the enterprise, Little Six Incorporated manages it, and the Gaming Commission regulates gaming operations. Per capita payments are distributed to individual members of the Shakopee tribe based on the input and recommendation of these three tribal entities. The per capita payments, along with SMSC social and economic programs, have helped alleviate the burden of poverty for the tribes' members.

### Financial Success Stemming From Natural Resources: The Southern Ute Indian Tribe

Sitting on one of the largest supplies of natural gas in the United States, the Southern Ute Indian tribe has fought aggressively for the past 20 years to keep and develop natural resources rights. Since 1999, the Southern Ute tribe, located in the Four Corners region of Colorado, has flourished by investing 75 percent of net profits made from gas, energy, gaming and other entrepreneurial investments into the Southern Ute Growth Fund ([www.sugf.com](http://www.sugf.com)). The fund has interests in energy and oil, equity investments, real estate, and a building material management company. To date, the fund has reached well over \$1 billion in invested interests, out of which 10 percent of returns are distributed to the members (ages 26 to 60) of the Southern Ute Tribe.

In 1999, the Southern Ute Indian Tribe made the decision to remove all business dealings from decisions on tribal matters, meaning that the board of the fund and subsequent investment decisions was not to be made by tribal members. The move was an effort to reduce the incidence of tribal nepotism in tribal business dealings. Today, the Southern Ute Tribe is one of the wealthiest tribes in the country, providing members with such benefits as state-of-the-art schools, scholarship programs, a variety of tribally specific development programs, and an improved tribal infrastructure.

### Financial Success Stemming From Manufacturing and Enterprise: Ho-Chunk, Inc.

*"When the government created trust land it basically guaranteed our dependence on it [federal government] for basic services and put a stranglehold on tribal entrepreneurial and economic development."*

- Lance Morgan, CEO of Ho-Chunk Inc.

In 1988, the Winnebago Tribe of Nebraska had two businesses on its land: a gas station and a grocery store. Today, Ho-Chunk, Inc., an entrepreneurial investment company owned and operated by the Winnebago Tribe, has brought in over \$145 million in revenues, from on- and off-reservation companies, in the areas of retail/distribution, construction/housing, recruitment/technology and marketing/media (find out more at <http://www.hochunkinc.com>). Established companies of Ho-Chunk assist new companies in starting up. Larger companies also assist smaller ones in working with finances, contracts and operations, and acting as mentors for the smaller companies until they are up and running. The revenues brought into the community through these businesses represent significant opportunities for investment and asset-building by the tribe.

Ho-Chunk, Inc. was created as the independent enterprise arm of the Winnebago Tribe. Ho-Chunk, Inc. was originally established with funds from gaming; however, increased competition for this revenue eliminated much of the dedicated funding forcing Ho-Chunk, Inc. to rely more and more heavily on its own resources. The greatest resources Ho-Chunk, Inc. had were a strong labor force and sovereign status. This allowed the company to expand from a small corporation to a corporation with over \$145 million in revenues in less than 15 years.

## Socially Responsible Investing: The Oneida Tribe

The Oneida Tribe of Wisconsin has combined its economic success with investment in a number of ventures whose established purposes are in line with the values and traditions of the Oneida people. Through Trillium Asset Management Corporation, the Oneida Tribe is investing in environmental and social enterprises that promote social change. In 2005, the Oneida Trust Committee provided the first known intertribal community development financing loan to the Lakota Fund, a Native CDFI located on the Pine Ridge Reservation in South Dakota. The loan marks a significant shift in intertribal relationships, deviating from past financial dealings that forced tribes to depend almost solely on grant opportunities. This business venture is a win-win situation for both institutions, as it allows the Lakota Fund to diversify its fund resources to provide for its clientele, while the Oneida Tribe receives a 3 percent rate of return on the \$25,000 loan. More importantly, stated Karlene Hunter, executive director of the Lakota Fund, "Their investment really breaks the ice of tribe-to-tribe financing ... the loan is an agreement between two Native nations to help each other be self-determined."<sup>77</sup>

The changing economic profile of Native communities has happened for only a small portion of them. Economic change is occurring slowly but surely, suggesting that in the near future additional tribal communities will likely need to offer investment education to tribal members. If incomes on a number of reservations continue to rise at the rate witnessed from 1990–2000, by 2060, Native people residing on many reservations will have median incomes at or greater than the national average.<sup>78</sup> Effective programs must go beyond providing basic financial education to financial investment opportunities and individual portfolio development. However, at this point in time, effective control of tribal investments is somewhat scattered among Native communities.

According to Harvard research that was summarized in 2006 testimony to the Senate Indian Affairs Committee, economic success in Indian Country follows a "three part pattern of 1) aggressive assertions of sovereignty, resulting in 2) self-governed institutions, which are 3) characterized by cultural match. Time and again, it is

the Native nation that takes control of its own institutions and runs them by its own rights that develops economic, social, and political systems that work."<sup>79</sup>

Tribal communities currently flourishing economically are still relatively new; the majority of the economic gains for tribal communities have occurred in the last 15 years. Influx of capital has not widely manifested itself – most tribal organizations have had to work through legal issues and suffer significant conflicts with tribal members. For example, Shakopee is embroiled in a lawsuit based on the claim that the tribal government has been excluding certain tribal members from being counted on official rolls to prevent additional gaming payouts, and some members of the Southern Ute feel that handing over decision making to non-Native-controlled boards has not been in the best interest of the tribe. Yet, the overall economic upswing is remarkable for these two tribes, and other tribes are attempting to follow suit, based on gaming and diversified entrepreneurship business.



## Conclusion

Developing financial education strategies for Native communities requires a thoughtful approach that includes building relationships and rapport, assessing community values, and planning with specific communities in mind. This will involve addressing the environment and people, being receptive to ideas from the community (listening and learning), and being aware of the ramifications of tribal sovereignty and related legal issues. Additional success factors include attention to cultural nuances and customs, developing trust and commitment (investing time in building relationships), instituting affordable financial products and services, and Native-oriented investment practices.<sup>80</sup>

Through the efforts of a considerable number of public and privately supported organizations, including government entities, nonprofits, colleges and universities (including tribal colleges), a foundation is being laid for creating and building positive financial change, especially for financial education outreach and delivery – for both youth and adults. During the past several years, the Native Financial Education Coalition, in conjunction with Native and non-native nonprofits (again, including tribal colleges), has promoted the Building Native Communities curriculum with resounding and positive effects on financial education for Native people, including youth.

The future of financial education in Native communities will likely be tied to, and will rely heavily on, the development and implementation of a variety of asset-building strategies. The move toward building assets in many Native communities represents a general paradigm shift that tribes continue to make – from heavy reliance on government funding to greater economic sovereignty

through the studied acquisition of tangible financial assets.

Increased access to reasonably priced financial products and services may help Native Americans move past a theoretical understanding of financial matters to utilize learned financial skills. Experiential knowledge of financial management and asset-building skills, leveraged in real terms to grow personal, family, and community wealth, while increasing self-determination and improving life-conditions for tribes, could assist in ushering in new and exciting economic circumstances in Native communities.

As tribes attempt to manage financial resources and allocate existing funds (which may still be scarce in many tribes) to programs and people, the next step should be to step up efforts to train individual Native people on how to most effectively utilize their resources – including financial ones. With median incomes for Native Americans continuing to rise, and with entrepreneurship making headway in Indian Country, more Native people must acquire the fundamental knowledge and skills necessary for recognizing their options in managing and leveraging personal funds in today's world, while incorporating traditional knowledge and practices, as desired. Financial institutions, tribal governments and Native nonprofits should begin to stress the importance of financial investments for tribal members in a more concerted fashion. If self-defeating financial practices such as cashing out payments at pawn shops, grocery stores, and quick-cash shops continue, many Native people may find themselves stalled in economic despair, just as they become poised to experience increased economic stability.

Based on research and economic models that are working in Native communities, other Native communities are poised to begin or have already begun the process of creating an economic boon for their people. It is imperative that tribal leaders and community members are educated on how best to invest and leverage newfound resources. There are a variety of options available to tribes and tribal members that are consistent with Native

customs and values, from socially responsible investing to culturally appropriate education dedicated to investment opportunities. The die has been cast for economic prosperity for Native communities, and while there is still a long journey ahead, it is difficult to overstate the importance of the development of financial management skills for building a strong foundation on which to build healthy economies across Native communities.

## Endnotes

- <sup>1</sup> From Congressional testimony, May 10, 2006.
- <sup>2</sup> Sherraden 1991.
- <sup>3</sup> Weisberg 2006.
- <sup>4</sup> Salway Black 2001.
- <sup>5</sup> Wolff 2004; Kochar 2004.
- <sup>6</sup> New America Foundation 2006.
- <sup>7</sup> Watson 2006.
- <sup>8</sup> Nam 2006.
- <sup>9</sup> Waldron et al. 2004.
- <sup>10</sup> Watson 2006; Hicks et al. 2005.
- <sup>11</sup> Vitt et al. 2000.
- <sup>12</sup> Community Developments Fact Sheet.
- <sup>13</sup> Johnson and Sherraden 2006.
- <sup>14</sup> <http://www.ustreas.gov/offices/domestic-finance/financial-institution/fin-education/overview.shtml>.
- <sup>15</sup> The OFE has created a toll-free hotline and website, MyMoney.gov, which offers access to the NSFL and many free materials on various aspects of financial education.
- <sup>16</sup> Watson 2006.
- <sup>17</sup> NFEC Policy Brief 2006.
- <sup>18</sup> NSFL 2006.
- <sup>19</sup> U.S. Department of the Treasury 2006; U.S. General Accountability Office 2004.
- <sup>20</sup> Sherraden and Johnson 2006.
- <sup>21</sup> Edwards and Mason 2003.
- <sup>22</sup> Greenspan, 2005.
- <sup>23</sup> Comptroller of the Currency 2006.
- <sup>24</sup> Hogarth, et al, 2003.
- <sup>25</sup> Carr and Schuetz 2001; Smith, et al. 2003; see also <http://www.firstnations.org/lending.asp>.
- <sup>26</sup> New America Foundation 2006.
- <sup>27</sup> Federal Reserve Bank of Minneapolis 2006.
- <sup>28</sup> Garman et al. 1999.
- <sup>29</sup> Finsel and Russ 2005.
- <sup>30</sup> Fox 2004; Watson 2006.
- <sup>31</sup> Hogarth et al. 2003.
- <sup>32</sup> Waldron et al. 2004.
- <sup>33</sup> U.S. Census 2000.
- <sup>34</sup> The High Cost of Being Poor 2003.
- <sup>35</sup> Zhan et al. 2006.
- <sup>36</sup> Bayer et al. 1996.
- <sup>37</sup> Abdughani and Zorn 2001.
- <sup>38</sup> Todd 2002.
- <sup>39</sup> Danes 2006.
- <sup>40</sup> Sherraden and Johnson 2006.
- <sup>41</sup> Vitt et al. 2000.
- <sup>42</sup> NALS 2001.
- <sup>43</sup> New America Foundation 2006.
- <sup>44</sup> Meeks 2006.
- <sup>45</sup> U.S. Census 2000.
- <sup>46</sup> Henson et al. 2005.
- <sup>47</sup> Sherraden 1991.
- <sup>48</sup> Schreiner et al. 2001.
- <sup>49</sup> Tempkin and Sawyer 2004.
- <sup>50</sup> Sherraden and Johnson 2006.
- <sup>51</sup> Jump\$tart Coalition 2006.
- <sup>52</sup> NFEC 2005.
- <sup>53</sup> NCAI news release 2005.
- <sup>54</sup> Garcia 2006.
- <sup>55</sup> Boys & Girls Club Newsletter 2006.
- <sup>56</sup> CSD website 2006.
- <sup>57</sup> NFEC 2006.
- <sup>58</sup> <http://www.nfec.info/>.
- <sup>59</sup> The module was developed as part of the *Expanding Native Opportunities: Native IDA Initiative* of the Community Development Financial Institution (CDFI) Fund of the U.S. Department of the Treasury. The initiative is a multi-year training and technical assistance program co-directed by First Nations, Oweesta and CFED. For more information on this initiative, refer to the CDFI chapter of this report.
- <sup>60</sup> Thompson and Hafer 2006.
- <sup>61</sup> NFEC Policy Brief 2006.
- <sup>62</sup> NAIHC News Release 2006.
- <sup>63</sup> Elliehausen and Lawrence 2001.
- <sup>64</sup> U.S. Census 2000.
- <sup>65</sup> NALS 2005.
- <sup>66</sup> Smith 2003.
- <sup>67</sup> NCRC 2003.
- <sup>68</sup> NCRC 2003.
- <sup>69</sup> Malkin 2003.
- <sup>70</sup> Smith 2003.
- <sup>71</sup> Baue and William 2005.
- <sup>72</sup> Taylor and Kalt 2005.
- <sup>73</sup> Dugan 2003.
- <sup>74</sup> Cabazon 2003-04.
- <sup>75</sup> NIGA 2006.
- <sup>76</sup> For more information on the effects of IGRA on economic development in Native communities, see the "Native Philanthropy" chapter in this report.
- <sup>77</sup> Baue 2005.
- <sup>78</sup> Taylor and Kalt 2005.
- <sup>79</sup> Jorgensen 2006.
- <sup>80</sup> Oldman 2006.

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## CHAPTER 3: NATIVE IDAs

# Native Individual Development Accounts: An Emerging Field Takes Shape

*“If we can make our IDA program work, anybody can.”*

*–Native IDA practitioner, Pine Ridge, South Dakota*

### Introduction

Since the first Native individual development account (IDA) program enrolled participants in 1998, Native IDAs have struggled to find their place in the broader IDA and asset-building field. Investments by First Nations and other funders led to some growth in the number of Native IDA programs but they were excluded from national demonstration programs and faced almost insurmountable problems in accessing funding to sustain their programs. This chapter, published almost 10 years after First Nations made its first investment in Native IDAs, could be a story of despair and failure, but much like integrated asset-building institutions discussed throughout this report, adversity has not bred defeat. It has led to resilience and success. Excluded from mainstream funding streams, Native programs have been free from the constraints of “conventional wisdom” and have developed some of the most innovative program designs. Programs that were once excluded from mainstream conversations are now being seen as models for non-Native programs to consider.

Native IDA programs are seeing individuals and communities transformed by their participation. They are seeing young people reclaim hope and future orientation. They are seeing parents teaching their children how to manage and grow their assets. They are seeing communities reconnect as young people build homes for elders while earning money that will send them to college. Native IDA programs are part of a bright economic future for Native communities. This chapter is a story of hope and regeneration.





## Native Individual Development Accounts: An Emerging Field Takes Shape

The Native IDA field still needs to grow. The data in this chapter paint a picture of a field that needs connections and resources. It is a field that is, in many ways, defined by its uniqueness. Native IDA practitioners<sup>1</sup> need to work with a sovereign government and tribal leaders that are more engaged than most federal and state governments. The self-perceived uniqueness of Native participants, and those who serve them, is a strong feature of the experience of Native IDA programs and defines the strategies that have made many succeed. The realities of uniquely situated communities, facing unique legal and economic barriers, create significant problems that hinder Native program success, but the Native IDA practitioners who live in and serve these communities have designed innovative strategies that have made some Native programs significantly more successful than their non-Native counterparts. The innovations and resilience of Native IDA programs, even amidst significant and unique challenges, is an indicator that the field is on the cusp of significant growth to serve many more Native communities than have already benefited from this innovative strategy.

### Methodology

This chapter is drawn primarily from data collected through site visits, detailed interviews with over 50 stakeholders, and e-mail surveys sent to other contributors. The analysis is also built on an extensive review of literature relevant to understanding the Native IDA field and defining its place in the broader IDA and asset-building movement. Primary research data have been drawn from:

- Site visits to 10 Native IDA programs.
  - Detailed interviews and/or surveys conducted with existing Native IDA practitioners.
  - Surveys of Native organizations interested in starting an IDA program.
  - Interviews and discussions with Native IDA participants and graduates.
- The specific tribal departments or other Native organizations that have implemented or are in the process of implementing an IDA program (existing IDAs) and have contributed information through interviews were (site visit locations indicated by \*):
- Alu Like\* serving Native Hawaiians.
  - Cook Inlet Tribal Council\* serving Alaska Natives and Native Americans in the Cook Inlet region of Alaska.
  - Cherokee Nation Small Business Assistance Center\* serving the Cherokee Nation of Oklahoma.
  - Citizen Potawatomi Community Development Corporation serving the Citizen Potawatomi Nation.
  - Four Bands Community Fund\* serving the Cheyenne River Lakota Tribe.
  - Hoopa Development Fund serving the Hoopa Valley Tribe.
  - Indigenous Community Enterprises\* serving the Navajo Nation.
  - Lakota Funds\* serving the Oglala Sioux Tribe of the Pine Ridge Reservation.



- Navajo Partnership for Housing\* serving the Navajo Nation.
- Economic Development Department serving the Redwood Valley Rancheria of Pomo Indians of California.
- Salt River Pima-Maricopa Indian Community Housing Division\* serving the Salt River Pima-Maricopa Indian Community.
- Umatilla Reservation Housing Authority\* serving the Confederated Tribes of the Umatilla Indian Reservation.
- Warm Springs Credit Department serving the Confederated Tribes of Warm Springs Reservation of Oregon.
- White Mountain Apache Housing Authority\* serving the White Mountain Apache Tribe.
- Wind River Development Fund serving the Arapahoe Tribe and Shoshone Tribe of the Wind River Indian Reservation.
- Menominee Tribal Housing Department serving the Menominee Indian Tribe of Wisconsin.
- Native American Connections serving the urban Indian population of Phoenix, Arizona.
- Tlingit-Haida Regional Housing Authority serving the Central Council of the Tlingit and Haida Indian Tribes of Alaska.
- Tribal administration serving the Alabama-Quassarte Tribal Town.
- Tribal credit department serving the Shoshone-Bannock Tribes of the Fort Hall Indian Reservation.
- Warm Springs Community Action Team serving the Confederated Tribes of Warm Springs Reservation of Oregon.

Data collection involved detailed conversations in person, by phone and/or by e-mail with more than 30 staff members of those 14 organizations.

Additional, albeit more limited, data were collected through personal, phone, and e-mail contact with representatives of other Native IDA programs that were either on hold or in various stages of development. The eight programs are:

- First American Capital Corporation serving the state of Wisconsin's Indian business community.

During the site visits, interviews were conducted with more than 20 participants and graduates to better understand the impact of IDA programs on participants' lives and the role of the IDA programs in participants' success.

In 2003, First Nations published *Sovereign Individuals, Sovereign Nations*, a comprehensive analysis of the first five years of Native IDA program development.<sup>2</sup> This chapter uses detailed primary and some secondary data to identify the themes that have developed or been clarified since that report was published. We will not replicate the features of that document that are still relevant to the Native field today. The paper provided a helpful analysis of the role of Native IDA programs in First Nations' vision for Native asset building and economic development. It also provided a good sense of

**“Sovereignty matters, institutions matter, and culture matters.”**

the themes in the non-Native literature and field. We see this chapter as one document in the range of resources offered by First Nations to assist those interested in working in and supporting the Native IDA field to get a true sense of the challenges and opportunities faced by Native practitioners and the participants they serve.

### **A Maturing Field That Needs Connections and Resources**

It is an intriguing fact that of the Native IDA programs established between 1998 and 2005, the majority – at some point – considered themselves to be the first Native IDA program. This speaks to the self-perceived uniqueness of Native IDA practitioners and the communities they serve that led them to either not look very

hard for other Native organizations offering IDAs or not prioritize that kind of networking. It also highlights the need to facilitate connections between Native IDA programs so they are better supported, and so their programs can be implemented in a more effective fashion. Where programs did seek out the help of other IDA programs, they were often programs within their immediate state or region. While many programs sought advice from established Native IDA programs, many seemed likely to work with more easily accessible organizations in their region or access resources offered at the national level through the IDA Network website and listserv.<sup>3</sup> In Arizona, Native programs seem most aware of each other in part because five Native programs have been involved in the *Assets for Arizona Alliance*. The *Assets for Arizona Alliance* is a technical assistance and policy advocacy coalition of practitioners involved in asset-building work in the state. These organizations

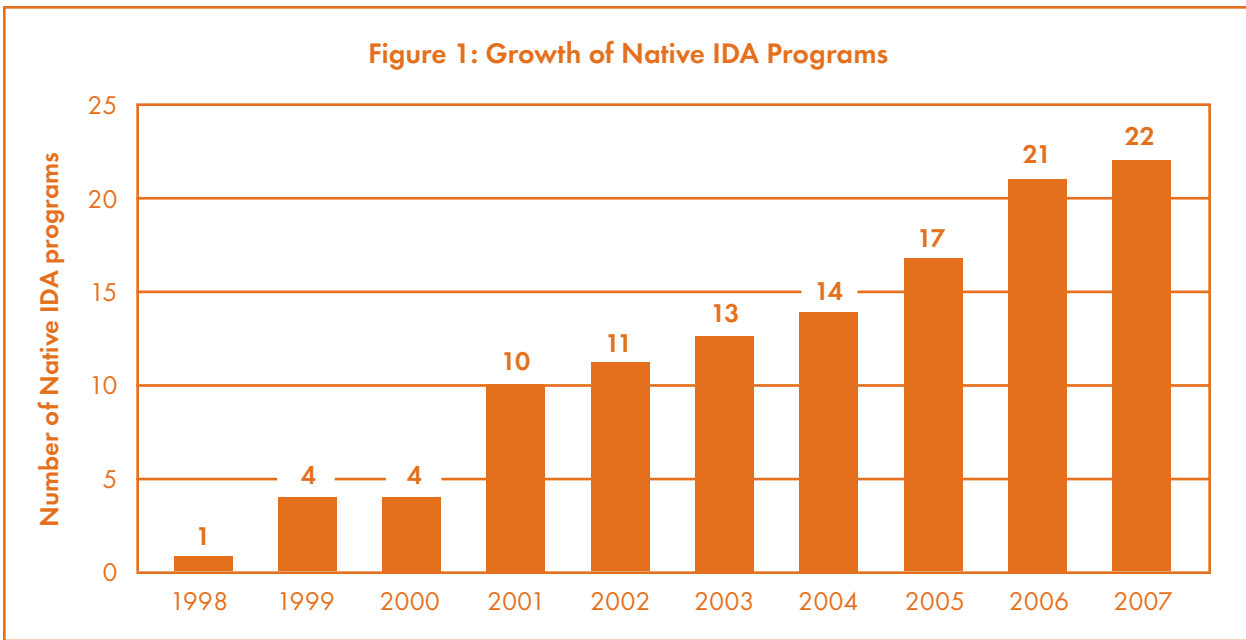
later worked with other tribes and Native organizations to launch an independent coalition focused on promoting asset-building and financial education for Arizona’s Native communities.<sup>4</sup> This model has also been pursued elsewhere and has been supported by Native IDA programs and similar institutions. The importance of these learning networks is evident.

Since First Nations published *Sovereign Individuals, Sovereign Nations*, the IDA field has grown significantly and is revealing signs of maturity and increased momentum. Figure 1 reveals a growth from 13 programs in 2003 to 22 programs in 2007. This growth is not exponential, and the data include three programs that have stopped operating since 2003. In the past four years, 12 new programs have started, which represents more than a 90 percent increase in the number of IDA programs. From September 2005 through March 2007, the Native IDA Initiative (funded by the CDFI Fund and described in more detail in the CDFI chapter of this report) offered eight training sessions that led to an additional 34 programs receiving technical assistance and actively pursuing the development of an IDA program. These programs are developing at a similar pace to those who reported data for this chapter (generally requiring at least a year of planning before beginning program implementation).<sup>5</sup> It is thus fair to assume that significant growth in the Native IDA field is likely to occur in the coming two or three years.

### **Sovereignty Matters to Native IDA Program Structure and Success**

As demonstrated through research conducted by the Harvard Project on American Indian Economic Development (Harvard Project), effective social and economic

Figure 1: Growth of Native IDA Programs



development in Native communities is determined by the fact that “sovereignty matters,” “institutions matter” and “culture matters.”<sup>6</sup> All three observations are true, to varying extents, for Native IDA programs.

The importance of sovereignty or self-determination with regard to program design and delivery is highlighted by the Harvard Project’s report to the Annie E. Casey Foundation. The authors note that:

*The identifiable cases of sustained progress in addressing the problems of families and children ... are marked by being Native-driven. With their own indigenous versions of “local control,” Native communities that are in control of design, delivery, and decision-making of programs, policies and initiatives are setting the standards for building strong futures for Native families and communities.<sup>7</sup>*

Tribal sovereignty, particularly for those living and working on Indian reservations, was an important contributing factor to the strong self-perception of cultural and programmatic uniqueness that was a distinct theme in interviews with Native IDA practitioners and participants. The general messages did not stop with the observation that tribal sovereignty (i.e., tribes are sovereign nations with their own system of government) has a particular impact on the design and development of Native IDA initiatives. Contributors also emphasized the fact that sovereignty affects the asset-building goals and opportunities of each individual Native nation, so IDA program design may be distinct for each Native community.<sup>8</sup> The impact of sovereignty as it relates to IDA program design is discussed in more detail below. However, key considerations raised by interviewees included:

- The role of the relationship between the tribal government and IDA program in predicting program success.
- The possible use of funds from tribal government or tribal enterprises to support IDA programs.
- The impact of trust land, tribal regulations, and commercial codes (or lack thereof) as it relates to asset purchases.

The need to effectively engage tribal leaders is a central responsibility for those who seek to administer successful Native IDA programs. Research for this chapter revealed that Native IDA practitioners were required to possess (or develop) an additional skill set to successfully work with tribal leaders as supporters, funders, or simply powerful members of their community. It is thus not surprising that a majority of the established Native IDA programs interviewed reported a positive relationship with their tribal government. While the regularity of the engagement with tribal leaders varied substantially between those programs that were administered by tribal government agencies (for example at Umatilla and Cherokee) and those that were administered by Native non-profits, often CDFIs (as at Wind River and the Lakota Fund), there were some notable constants.

One of the most striking constants was the fact that, regardless of the program’s organizational home, there was a strong correlation between a good relationship with the tribal government and the persistence of the program. Across the range of organizational homes, successful programs demonstrated some level of engagement with the tribal government that was balanced by efforts to insulate the program from the

negative effects of current or potential political instability. Many Native IDA practitioners, in addition to running a successful IDA program, are called upon to skillfully protect their program from the uncertainties posed by regular turnover in tribal leaders. These uncertainties also pose a challenge in capturing the interest of tribal members in future-oriented opportunities like IDAs. This challenge is caused by the fact that they are “less likely to put their energy and skills into the tribal future” if they expect political instability to affect programs and services offered to tribal members.<sup>9</sup> One practitioner noted that this challenge led to a strategy of “very, very deliberately keep everything separate from the tribal government, because of the politics.”<sup>10</sup> In spite of these challenges, some programs reported a close relationship with the tribal government, often with positive funding implications. Under the right conditions, a close relationship may be effective, if it is considered appropriate by that community and does not negatively affect program outcomes. Almost all Native IDA practitioners identified the need to engage tribal leaders from the outset, while insulating the program from negative impacts. This leads to the conclusion that “independence” does not have to equal – and probably should not equal – “no information transfer.” Some tribal governments have even chosen to enact a resolution to formally separate themselves from the day-to-day operation of IDA and other asset-building institutions.

Working with tribal leaders has enormous potential for exploring the viability of employer IDAs as a benefit that could be offered by the tribal government or tribally-owned enterprises. Given that a high proportion of reservation-based employment (60–70 percent) is often provided by the tribe or tribally-owned enterprises, a concerted effort by the tribal government could have a



sizeable impact. A number of the communities served by IDA programs have seen recent economic development success through tribally owned enterprises with an increasing number of double-income households and the rise of a tribal middle class. A detailed exploration and implementation of employer IDAs could positively impact the available asset base for the “new middle-class” in these communities.

### Culture and Local Context Matter

Interviews with Native IDA practitioners and participants confirmed the importance of culture and local context that is observed by leaders, practitioners, and advocates in many other areas of program and policy development for Native communities. Interview participants particularly emphasized that:

- All tribes are distinct from one another (each tribe has distinct cultural, social, economic, and political conditions, traditions, and norms).
- Tribes have a common history that distinguishes them from non-Native communities.

Many Native IDA practitioners noted their choice to use Native-specific curricula such as First Nations’ *Building Native Communities: Financial Skills for Families (BNC)*<sup>11</sup> financial education curriculum, and/or adapt non-Native training resources with Native-relevant content and teaching approaches. At the level of asset-specific training, this practice of using culturally specific resources was also common. At least four Native IDA programs that offered either small business start up or homeownership as an allowable use for IDA funds not only use Native-specific curricula, but have developed

community-specific curricula that incorporate the cultural values of their respective Native communities. Practitioners also expressed a desire for Native-specific program documents. Those who had used non-Native resources saw them as somewhat useful for internal purposes, but found they needed significant amendments if the documents were used directly with participants. This theme of cultural uniqueness will be further developed as the document proceeds, particularly in relation to implementation models for Native IDA programs and the various priorities and perspectives that drive them.

Practitioners and potential practitioners described communities and community situations that were as numerous as the organizations interviewed. The population size that was served varied from communities of less than 1,000 members (like Redwood Valley Rancheria) to those with well over 100,000 tribal members (like the Navajo and Cherokee Nations). The remoteness of the community also varies and has a significant impact on program delivery. A number of programs serve communities that are adjacent to or situated within urban areas (for example, Salt River Housing Division, within the Phoenix, Arizona metropolitan area) and many serve more rural reservation communities – with each geography bringing its requisite challenges. The unique challenges of individual Native communities may explain the impression many Native IDA practitioners held that they were the first IDA program to serve Native communities.

The importance of support from tribal leaders (outlined above) is the foundation of an effective strategy to address the broader challenge of building and maintaining community support for the program. Many practitioners reported unfamiliarity at best, and at worst culture clash, created by the “individual development” and



“asset-building” jargon that was used in explaining the concept to tribal leaders and community members. A majority of those who reported this educational challenge also expressed a desire to change the name “IDA” to a more understandable and descriptive term, but no one was able to completely dispense with it. Examples of community-specific names to refer to the program include:

- *Kahiku* – Alu Like. “We call it kahiku. Kahiku means to lift up, because we are saying we want to build them up, we want to lift these people up, we’re going to rise up.”<sup>12</sup>
- *Mazaska K’sapa Nitawa* – Four Bands Community Fund. The name means “Your Money Wisdom” in the Lakota language.
- *Citizen Potawatomi Asset Builders Program* – Citizen Potawatomi Community Development Corporation. The program is promoted to participants as a way to create “a pathway to financial well-being.”<sup>13</sup>

This challenge may partially explain the fact that almost all Native IDA practitioners report significant problems attracting participants when the program first started. One practitioner recommended that prospective practitioners take 6–12 months to plan the program and secure community buy-in, explaining that “it takes some time for this to be digested in the community, and nobody has seen the end results yet.”<sup>14</sup> The experience of both current and potential practitioners highlights a significant level of caution that may be partially explained by the time required to build community support. Many practitioners spent at least a year exploring the benefits of an IDA program and how it would be implemented to serve their community, but the average period of time

was closer to two years. One program had spent over eight years contemplating IDAs before implementing their program. These long planning horizons could also reflect the environment that potential IDA practitioners operate within: not only do they face myriad urgent problems but they also need to demonstrate the importance of a long-term strategy in a community that has significant “program fatigue.” Even a practitioner from one of the most successful Native IDA programs noted that recruitment for the IDA program was very difficult in her community, noting that “even though everyone kept telling us that recruitment is the hardest, we kept thinking, it can’t be hard...and it was.”<sup>15</sup>

This cautious approach to IDA design and implementation is reflected in both the advice and behavior of Native IDA programs. Many practitioners, when asked what advice they would give to potential practitioners, recommended that they plan carefully, and start slow, offering only one or a small number of allowable uses. This advice was often predicated on their experiences, detailed in the previous paragraph, where gaining the support of the leadership and community was a long and time-consuming process. Program design for Native IDA programs also reflects this cautious approach. Single-use IDA programs appear to be much more common in Native communities than in non-Native programs. This is partially explained by the fact that AFIA (Assets For Independence Act) funding is both more accessible and more commonly used by non-Native programs. However, even the detailed data collected for this chapter (that overrepresented AFI funded programs) revealed at least four single-use IDA programs (of 11 that reported detailed data). The most common designated use of Native IDA programs (both single and multiple use) is for homeownership. This is probably both a reflection of the significant need for affordable, quality

homes in most reservation communities and the fact that NAHASDA (Native American Housing Assistance and Self Determination Act) funding is the primary source of funds for many Native IDA programs.

The importance of culture in understanding Native IDA programs is evident in implementation methods that are distinct from non-Native programs. Financial literacy is a critical component of successful IDA programs and many Native programs appear to have a different approach than what is advocated in research into effective practices for non-Native IDA programs. Page-Adams' analysis of successful non-Native IDA programs indicated that economic literacy should come after the participant is enrolled in the program and has started saving.<sup>16</sup> A substantial and growing number of Native IDA programs offer their financial literacy as a prerequisite for enrolling in the IDA program. A number of other programs who do not follow this approach have indicated that they plan to change their program to follow that method and many of those that now offer financial education first have adopted that policy as a result of lessons learned from the experience of previous participants. While assessing the particular success of this approach is difficult, it does explain why many Native IDA practitioners report that it is critical that aspiring practitioners are able to effectively provide the financial education component or connect their participants with someone else who can.

This distinct approach to financial education can be explained – in large part – by the fact that many IDA practitioners see the acquisition of financial management skills as a primary goal of the program. This view is so strong among many practitioners that the development of financial management skills is considered a success,

even if the participants do not accrue significant savings or attain their asset goal. For example, the Umatilla Reservation Housing Authority has successfully graduated no more than 20 IDA participants, but has been nationally recognized for the success of their financial education initiatives that have provided training to over 40 percent of tribal members.<sup>17</sup> They see the program as a tool that is just one component of their effort to strengthen their tribal economy.

These observations about the importance and uniqueness of tribal culture and local context demonstrate the following unique experiences of Native IDA programs:

- Culturally specific strategies are seen as critical, as demonstrated by the use of community specific names for the program and curriculum offered to the participants.
- Program design is often driven by the unique needs of the community, leading to more organizations that offer single-use IDA programs and require financial education training before participant enrollment.

### **The Unique and Pronounced Challenges Faced by Native Communities Require Unique Policies and Implementation Models**

Specific challenges that face most Native communities, including abject poverty and remote locations, have significant implications for IDA programs. The extreme poverty in Native America is the explanation that Hicks et al. offer for the fact that “tribes would like to use asset-building policies for home repair, transportation, and other resources that are ‘short-term,’ and more survival-oriented, than ‘long-term’ assets.”<sup>18</sup> The fact that

many federal programs restrict funding to “long-term” asset goals asks many Native IDAs to put the cart before the horse.

Even absent these concerns over extreme poverty, the remote location of many Native communities makes asset goals such as automobile purchase more important than

for an IDA program serving an urban area with sufficient access to public transportation. Remoteness poses other problems around access to financial institutions and the challenges faced by IDA practitioners. These observations also underline the diversity between Native IDA programs that lead to significantly different community priorities and program designs.

### Native IDA Programs and the National Asset-Building Movement

The challenging and unique context faced by many Native IDA programs may be one explanation for the exclusion of Native communities from early IDA demonstration models at the national level (like the American Dream Demonstration (ADD)). It also partially explains the problems that Native practitioners report in utilizing some national funding mechanisms (like the Assets for Independence program (AFI)).

As the Native IDA field has grown, national organizations have made significant efforts to include Native perspectives in demonstration programs. A pertinent example of this is the place of the Cherokee Nation of Oklahoma as one of only 12 sites for the SEED (Saving for Education, Entrepreneurship, and Downpayment) national initiative to develop effective children’s savings account models. The inclusion of Cherokee Nation’s program (one of the most mature and successful Native IDA programs) is a step in the right direction, but past challenges, like the fact that one of ADD’s sites in Oklahoma failed to even collect Native American ethnicity data for the purposes of program evaluation, have likely had an effect on the growth of the field. On the one hand, this exclusion further enforces the uniqueness of Native communities seeking to implement IDA programs to serve their citizens. On the other, it emphasizes a troubling blind spot in the development and implementation of national models that needs to be corrected for policy and practice to be most successful in Native America (and, arguably, to be more successful in the broader society).

The cultural mismatch between Native needs to develop short-term assets and the focus of non-Native policy advocates on long-term assets has also caused particular concern in the development of children’s savings account proposals. Policies that only allow Native children to access matched savings if they use their savings to purchase a “long-term” asset like a home unintentionally discriminates against those with less access to “short-term” assets. Native advocates have referred to these proposals as a “modern day Homestead Act,” a policy that predominantly benefits the middle class and makes it almost impossible for Native people (and other people of color) to experience the full benefit of the policy.



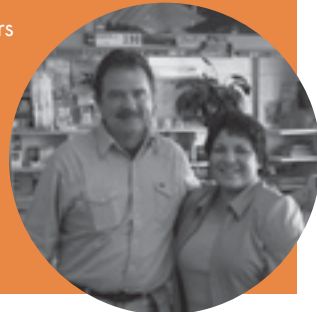
### George's Story

George has always had a mind for business but was waiting for the right opportunity. In 1999 the opportunity came when he approached the Cherokee Nation IDA program for help with his dream to buy a convenience store in his small hometown. He started saving in the program and enjoyed attending the financial education classes. As time went on, it was clear that George wasn't going to qualify for the loan he needed to buy the convenience store on Hulbert's main street.

Undeterred, George worked with the IDA staff to change his goal to home repair. He graduated from the program after two years and used his own savings of \$720 and the match of \$1440 to make improvements to his home that increased its value by around \$10,000. Soon George's dream led him to re-enroll in the IDA program, determined to achieve his goal and buy the convenience store.

George refreshed his financial management skills and received specific training to develop a business plan. He eagerly anticipated the challenges he would face as a new small business owner. He graduated two years later and used the equity in his home (increased by his previous enrollment in the IDA program) to buy the convenience store and gas station. He used his \$1,880 match money and \$720 savings to buy his first load of gas and some equipment for the convenience store.

George shared this story at lunchtime in his store where numerous community members and passersby stopped by to have lunch and get some gas. He has used the profits from his business to support various community activities. The flexibility of being his own boss even allowed George to serve as the town's mayor. The Cherokee Nation IDA program helped make George's dreams a reality that makes a positive contribution every day to many lives. The IDA savings and match monies have made a difference for George, his family, and the whole community.



When asked about the difference between Native and non-Native IDA programs, a number of Native practitioners identified the level of disadvantage faced by their clients compared to those served by non-Native programs. This disadvantage was expressed in a number of ways but one of the most prominent was the higher likelihood that their participants would be unacquainted with banking services and that even a large proportion of participants were not acquainted with anyone who had

experience with banking services. Data from the *Native American Lending Study* demonstrated that 15 percent of Native communities are more than 100 miles from the nearest ATM or bank, and that 86 percent of Native communities lack a single financial institution within their borders.<sup>19</sup> The *National Strategy for Financial Literacy*, released in 2006, emphasized that this problem persists to the present when it specifically identified Native communities as underserved by financial institutions and

**“Accessing traditional mortgage financing is made more complex by the title status of Indian Lands.”**

in need of specific strategies to increase the availability of “financial services resources.”<sup>20</sup> While these observations are striking, they are not new to those familiar with the myriad challenges facing successful economic development in Native communities.

The lack of access to financial institutions means IDA programs serving Native communities are often working with participants who have always utilized fringe banking services and may never have even known someone with a bank account. If Native IDA participants do have experience with financial institutions, then there is a high level of negative relationships in the form of poor financial histories, poor treatment by bank staff, and other challenges.

Many practitioners and other stakeholders highlighted prevalent off-reservation racism where Native people are refused the opportunity to open bank accounts. One IDA practitioner, seeking to set up bank accounts with a local financial institution, was told by a bank employee “we don’t want your people in our bank.” The challenge of limited access is felt at several levels: first, Native IDA practitioners themselves may not have had positive and/or extensive experience with financial institutions; second, Native IDA participants may not have any experience with mainstream financial institutions; and third, when Native IDA participants attain their savings goal, the availability of mortgage or business financing is significantly lower than for those in non-Native communities. These unique challenges also demonstrate the fact that integrated approaches can be essential to the success of asset building in Native communities. For example, if no financial institutions exist within a community (in some cases, including simple ATM access) it may be neces-

sary for the tribe or Native organization to co-develop a CDFI, credit union, community bank, or other financial institution.<sup>21</sup>

IDA programs that serve Native communities also face a variety of policy challenges and opportunities that are distinct from those faced by non-Native programs. An important opportunity that has been utilized by Native IDA practitioners is the opportunity to more fully explore Michael Sherraden’s original concept of the IDA as a universal savings account to be utilized throughout an individual’s life.<sup>22</sup> Throughout the history of Native IDA programs some participants have been able to take advantage of multiple enrollments in a program, no income restrictions, and broader allowable uses like home repair, debt consolidation, and others. Multiple enrollments were made possible at Cherokee Nation of Oklahoma utilizing a flexible non-government funding source (in the form of a grant from First Nations). Several participants found their first IDA experience helped them to develop financial management skills that were critical to their future success. Their financial education classes also helped them realize what it would take to achieve their goals. In the case of George – who successfully developed his own business after completing his second enrollment in the IDA program – he realized during his first IDA experience that he needed more capital to start his business, so he invested his savings in home repair, built equity in his home, and was able to borrow against that increased equity when he completed his second IDA program. George now runs a successful convenience store and gas station within the Cherokee Nation’s tribal jurisdictional zone.

Many non-Native IDA practitioners (and researchers) have considered the issue of allowing larger deposits to IDAs at certain times of the year when participants

receive lump sum inflows (e.g. when tax return income arrives). This issue is more complex for Native IDA programs. While VITA (Volunteer Income Tax Assistance) sites and EITC (Earned Income Tax Credit) awareness campaigns are increasingly prevalent, tax return income is only one of the income sources that may need to be considered in policy formulation and program design.<sup>23</sup> Native people often lack a consistent source of earned income, instead relying on either seasonal income and/or per capita payments (payments that represent the tribal member's share of profits from tribal enterprises). All of these factors challenge the relevance of traditional monthly deposits and force practitioners to explore innovative program design features.

Policy challenges to reaching asset goals in Native communities are complex and may require the development of specific complementary policies and programs to make way for an effective IDA program. The *Native American Lending Study* demonstrated that 65 percent of tribal respondents found traditional mortgage financing "difficult" or "very difficult" to attain. Similar responses were evident when addressing business loans with almost one-quarter of respondents identifying business loans as "impossible" to obtain, 37 percent identified them as "difficult" to obtain. Larger loans of \$100,000 or more were seen by more than two-thirds of respondents as either "difficult" or "impossible" to obtain.<sup>24</sup>

Accessing traditional mortgage financing is made more complex by the title status of Indian lands. The issues vary from land ownership that is almost exclusively tribal trust land to "checkerboard" reservations that include tribal trust, individual allotment, and fee simple land. Lending on Indian lands often requires title status reports that are issued by the Bureau of Indian Affairs and take

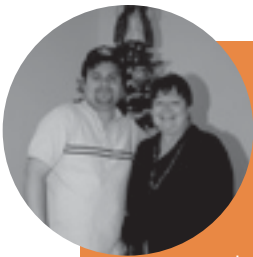
considerably longer than title reports for non-Native lands (sometimes as long as two years or more). This barrier to homeownership has, in some cases, led to successful IDA participants reaching their savings goal but finding it impossible to purchase a home on the reservation. It is likely that a substantial number of Native people have been discouraged from even attempting to save for homeownership because of these barriers. Regardless of land status, the barriers to homeownership on Indian lands are significant, and a coordinated strategy, including but not limited to the IDA program, is generally necessary to effectively increase the number of successful homeowners in the community.

In the area of business development, one IDA program that was on hold believed the development of a commercial code, enacted by the tribal government, to be so important that they were waiting until that process was finalized before starting the program again. More generally, enterprise development is particularly impaired in Native communities by the lack of financial institutions (detailed earlier in the chapter) and general lack of access to capital. The impact of these challenges and promising practices to develop a stronger private enterprise sector in Native communities is addressed in detail in the final chapter of this report.

Implementation models for IDA programs in Indian Country vary significantly. The organizational diversity is affected partially by necessity, with many Native communities lacking significant (or any) nonprofit institutions. This distinction means that Indian Country lacks the organizational backbone that has been the primary mode of IDA program implementation and funding in non-Native communities.<sup>25</sup> One practitioner in one of the smallest Native communities served by an IDA program specifically noted this challenge saying that, "It's hard

to set up a separate nonprofit to (run the IDA program) because we don't have that capacity."<sup>26</sup> The programs interviewed and surveyed were split fairly evenly

between tribal government departments or agencies and Native nonprofit organizations, a number of which were also CDFIs.



### Which Recruitment Strategy is Most Effective?

Programs certainly differ in their recruitment strategies. Some note their particular attention to identifying the most likely participants to succeed. Others focus on serving long-term clients who need to develop stronger financial management skills and may need to work their way out of a long-term financial challenge. Regardless of the recruitment focus, there is almost universal agreement that successful graduates are the most effective advocates for the program. Cherokee Nation has considered developing an incentive for current participants to recruit new participants. Following the model of businesses that provide incentives to customers to bring in new business, this model would encourage participants to "talk about it more in the communities and get people committed to doing that work."<sup>29</sup> Interviews with participants revealed that those who are convinced of the value of the program often choose to do this recruitment of their own volition. Describing her first encounter with the IDA program in the form of a flyer, a successful graduate of Four Bands Community Fund's program exclaimed "Wow, here's an opportunity! This is something I can't pass up."<sup>30</sup> That participant noted that she chose to hand out copies of the flyers to coworkers. The strong impact of IDA programs on a successful participant may make it difficult to determine who the "most likely to succeed" participants actually are. Native IDA programs have enabled dreams that seemed far off:

*"The IDA program and classes opened my eyes to the world of finances and homeownership. The program provided a path of how to keep my finances on track and why good credit is important. But most of all, it made the dream of owning my own home a reality."*

*- IDA participant, Confederated Tribes of the Umatilla Indian Reservation*

They have also transformed the lives of young people who may never have tried to pursue their dreams:

*"Just to know that I have people out there who believe in me, it's helped me to be the person that I am today. I am almost done with college, and if it were not for ICE, I wouldn't be here. I would probably be at home watching TV or something."*

*- IDA participant, Navajo Nation*

These different organizational homes in Indian Country further highlight the distinctiveness of Native IDA programs. The detailed interviews with practitioners revealed that organizations that offer IDAs often provide a diverse range of other services and aspire to or actually serve as a “one-stop shop” for a specific asset goal or set of asset goals. Evidence of these services can be observed in housing programs that offer financial education and credit counseling, CDFIs that have pre-established business courses, and the interest in or active exploration of the integration of local EITC outreach campaigns with the IDA program. One explanation for this integration of programs is that the organization offering the IDA (or other asset-building tool) is often the “only game in town” and so is not afforded the luxury to only serve one of the many asset-building challenges faced by their clients. Regardless of the organizational context, IDAs are clearly seen by these programs as a way to enhance the effectiveness of existing services and build upon long-term relationships that are already established with their clients. An interesting feature of this client base is that those selected are often the more disadvantaged – those with long-term credit issues, low capital for business start up and other barriers to successful completion of the program. It is thought that this practice enhances the likelihood of success for individual participants and increases the retention of those clients.

As the number of successful Native IDA graduates has increased, Native practitioners have been challenged by the question of how to most effectively serve their target market. The practice of serving the most economically challenged tribal members is common (and somewhat intuitive) but the graduation of key community members has offered some interesting insights into the impact of successful graduates on community trust in the program. The graduation of these trusted community

members (like tribal council members, elders and other community leaders) has had a demonstrable effect on community interest in the program. Additionally, there is anecdotal evidence (and limited research data)<sup>27</sup> that indicates successful graduates have a positive impact on numerous family members and other community members. Many Native IDA practitioners agree with this sentiment expressed by a program that struggled for some time to recruit participants: “Once the first set of people saved...now we have other people banging on the door to get in...we never realized the impact the first group would make.”<sup>28</sup> Given the fact that Native asset-building strategies are often focused on developing stronger community relationships and a healthier economic system, rather than simply changing individual financial circumstances, the question of how to most effectively serve the community through Native IDA programs certainly merits further consideration.

### **Program Designs Pose Unique Challenges and Significantly Affect Participant and Program Success**

In Native and non-Native communities, IDAs are a good idea that lacks sufficient funding. This is an issue that substantially impacts Native communities, from the difficulty of accessing AFIA funds at the federal level to the local level where equally important, and often more pressing, needs compete for already shrinking funds. As has already been stated, Native IDAs tend to utilize funding sources that are distinct from non-Native IDA programs that primarily utilize AFIA dollars. The most common sources of funding for Native IDA programs are private foundations (with First Nations one of the most prominent among those) and housing-related government grants, primarily through NAHASDA funds

and other HUD grants. Very few Native programs (only five) use AFIA dollars, with three serving the continental United States, one serving Alaska and one serving Hawaii. Four of the programs are based in urban areas and two of those (both in the continental U.S.) are part of a statewide coalition and did not apply directly for the AFIA funds. The fifth serves a rural reservation community but has had to pursue a range of administrative rule changes to cater to the unique needs of the population they serve.

When reflecting on the key components for developing an effective and sustainable IDA program, practitioners regularly focused on funding. Among those interviewed, increasing funding was listed as the most pressing and common goal to improve the program, one of the most frustrating experiences of administering an IDA program, and the primary reason that programs ended. Potential practitioners, when asked what reservations they had about starting an IDA program, often identified a lack of information about how to access funding, a lack of clarity about how the funds could be used, and a lack of funding appropriate to the needs of Native communities. A Native practitioner whose program had closed identified the fact that housing agencies have a significant advantage over other Native institutions in accessing funds for IDA program development.<sup>31</sup> The impact of NAHASDA and the fact that AFIA (the major federal funding source for non-Native programs) is inaccessible for most Native institutions, is significant. Another practitioner referred to fundraising for her IDA program as “one of the most labor-intensive things I’ve ever done” and as a significant hindrance to effective recruitment because “our people don’t fit in boxes.”<sup>32</sup> These observations underline the importance of increased funding from tribal, federal, and state governments, and more flexible and creative policy development if the

potential of Native IDA programs is to be enjoyed by a large number of Native people.

The interview data, from discussions with participants, practitioners, and leaders of Native IDA programs, indicated significant support for the observation that “staffing matters” as a critical determinant of program success.<sup>33</sup> The most common feature of successful Native IDA programs was a talented staff member who had stayed with the program for more than two years. The vast majority of graduates who were interviewed indicated that the practitioner they interacted with during the program had a significant impact on their successful graduation. On the other hand, and not surprisingly, problems with staffing have a significantly negative effect on Native IDA programs. Practitioner interviews revealed that at least one of the programs was put on hold primarily because an under qualified staff member was unable to perform adequately and the tribal agency involved waited until an organization with adequate staff capacity was available to implement the program. Another organization was forced to retroactively gather more than 12 months of participant data because of problems with a staff member.

Successful practitioners demonstrated a diverse range of relevant experiences, a strong educational background, and a commitment to the community they served. Interviews with these practitioners revealed the diverse range of skills required, and they emphasized experience and passion for working with low-income and Native communities as the most important skill required by a Native IDA practitioner. Another competency was skills in communication and education, underlining the significant relationship with participants that is maintained by most Native IDA practitioners. This often includes service as the primary instructor for the financial education compo-

ment of the IDA program. Native practitioners are often asked to effectively serve participants in these ways while successfully navigating the challenges of working with tribal government and serving a client base that is generally dispersed throughout an impoverished and remote area. An indicator of these pressures may be the fact that most successful programs have a participant to staff ratio of 20:1 or lower and larger programs indicated that a ratio of 40:1 is the highest that can be managed while effectively serving and retaining program participants.

A review of data from a number of Native IDA programs, as well as some of the Native specific literature, supports findings from research that describes programmatic outcomes for the general IDA field. Early work by First Nations indicated that drop out rates among Native IDAs were significantly high. The First Nations pilot in the late 1990s provided limited data that detailed a 40 percent drop out rate.<sup>34</sup> Schreiner and Sherraden analyzed drop out rates in the American Dream Demonstration and predicted that 20–25 percent of participants would drop out over the life of the demonstration.<sup>35</sup> Current data from a number of Native IDA programs indicates that drop out rates are extremely “lumpy” with drop out a severe concern for a small number of programs – those with more than 50 percent of their participants failing to complete the program – but some programs reporting drop out rates of less than 5 percent over

several years of successful operation. This indicates that drop out is just as likely (if not more) in Native programs as it is in non-Native programs but there are some very effective strategies that substantially increase the likelihood of participant success in Native IDA programs.

### Conclusion

Native IDA programs offer a compelling snapshot of integrated asset building in Native communities. They demonstrate the extent of the need. They highlight the height of the barriers to asset ownership, whether the asset is a home on trust land, a business under tribal jurisdiction, a college degree from a campus that is hundreds of miles away (geographically and culturally), or a more basic and immediate need. Perhaps most compelling is the story of Native IDA practitioners and the lives they have affected. Their tough-minded innovations are often part of a broader effort to integrate asset-building strategies and develop the financial management skills of tribal members. While the changes have been incremental, there are marked signs in those communities served by Native IDA programs that the economic system is healthier. They are connected to a stronger community. Integrated asset-building strategies are changing lives and communities.



## Endnotes

- <sup>1</sup> This term will be used throughout this document to refer to IDA Practitioners who serve Native communities. Most of these individuals are Native but not all.
- <sup>2</sup> Dewees and Florio 2003.
- <sup>3</sup> This resource is administered by CFED, see IDAnetwork.org for more details.
- <sup>4</sup> See [www.aznativeassets.org](http://www.aznativeassets.org) for more details.
- <sup>5</sup> This is presented in more detail by the Native Nations Institute, 2006 "Federal Fiscal Year 2006 Summary Findings from the NIDA Initiative Evaluation."
- <sup>6</sup> See for example: <http://www.ksg.harvard.edu/hpaied/overview.htm> as well as Cornell, and Kalt 1991; Cornell and Kalt 1998; Cornell and Kalt 2000.
- <sup>7</sup> Besaw et al. 2004.
- <sup>8</sup> See for example Hicks et al. 2005.
- <sup>9</sup> Cornell and Kalt 1998 p. 13.
- <sup>10</sup> Interview with IDA practitioner 2005.
- <sup>11</sup> For more information on the BNC see the Financial Education chapter in this report.
- <sup>12</sup> Interview with Native IDA practitioner 2005.
- <sup>13</sup> Citizen Potawatomi Community Development Corporation 2006, Participant flyer.
- <sup>14</sup> Interview with Native IDA practitioner 2005.
- <sup>15</sup> Interview with Native IDA practitioner 2006.
- <sup>16</sup> Page-Adams 2002, p. 21.
- <sup>17</sup> Harvard Project 2006 and NFEC Annual Report 2005.
- <sup>18</sup> Hicks et. al 2005.
- <sup>19</sup> CDFI Fund 2001, p. 14.
- <sup>20</sup> Financial Literacy and Education Commission 2006.
- <sup>21</sup> This remedy is suggested by CDFI Fund 2001, p. 8.
- <sup>22</sup> Sherraden 1991 and also see Hicks et al. 2005, p. 2.
- <sup>23</sup> See chapter 4 of this report for more information on the EITC and VITA sites.
- <sup>24</sup> CDFI Fund 2001, p. 14.
- <sup>25</sup> See for example work by First Nations (Salway Black 1997, updated 2004), the Harvard Project on American Indian Economic Development (especially Henson et al (NANM)) and Hicks and Jorgensen 2005.
- <sup>26</sup> Interview with IDA practitioner 2005.
- <sup>27</sup> This issue has been discussed in research examining Indigenous entrepreneurship in Australia, see for example: Foley, Dennis, 'Indigenous Australian Entrepreneurs: Not all community organisations, not all in the outback,' *Centre for Aboriginal Economic Policy Research Discussion Paper 279*, Canberra, Australia: Australian National University.
- <sup>28</sup> Interview with Native IDA practitioner 2006.
- <sup>29</sup> Interview with Native IDA practitioner 2005.
- <sup>30</sup> Interview with Native IDA graduate 2005.
- <sup>31</sup> Interview with Native IDA practitioner 2005.
- <sup>32</sup> Interview with Native IDA practitioner 2005.
- <sup>33</sup> This observation was also made in Dewees and Florio 2003 and is also evident in non-Native programs, see for example Page-Adams 2002.
- <sup>34</sup> King 2000.
- <sup>35</sup> Schreiner and Sherraden 2002.



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## CHAPTER 4: NATIVE PHILANTHROPY

# Capitalizing Native Communities and Giving Back: The Growth of Native Grantmaking Organizations

“Giving away money, and doing it right, is harder than you’d think.”

– Director of a Native grantmaking organization

### Executive Summary

#### Major Findings:

- There are a total of 53 active Native grantmaking programs in the nation that are funding Native educational, economic development, health, and cultural preservation programs.
- Tribal governments are very active in formal philanthropy. Of the 53 active Native grantmaking programs in the nation, a majority (33) are tribally affiliated grantmaking programs. The remaining 20 are non-tribally affiliated Native nonprofit grantmaking programs.
- These 53 Native-controlled giving programs have a range of organizational structures, from informal grantmaking committees to 501(c)(3) private foundations and public charities.
- Some trends among Native grantmaking programs include the following:
  - Growth: Since 1970, an increasing number of Native grantmaking programs have been started each year.
  - Endowments: The majority of Native grantmaking programs have no endowment. This represents an area of need.
  - Technical assistance needs: Most Native-controlled grantmaking program staff express a desire for technical assistance, networking, and leadership development.





## Capitalizing Native Communities and Giving Back: The Growth of Native Grantmaking Organizations

### Introduction

In 1966, the Hopi Tribal Council entered into a lease arrangement with Peabody Coal Company to mine natural resources on Hopi traditional territories. This lease, negotiated by the Bureau of Indian Affairs, has been fraught with controversy ever since. Today, however, the Hopi government acknowledges that the majority of the revenue for the tribal government comes from this lease arrangement, and that coal is a non-renewable natural resource. In 2000, the Hopi Tribal Council took action to ensure that some of these revenues would be preserved in perpetuity for future Hopi generations. The Hopi Education Endowment Fund was created in November 2000 as a form of community investment, with an initial endowment of \$10 million.

The original \$10 million investment has grown to over \$15 million, and is being used to provide educational scholarships for Hopi students to go to college. This represents just one way in which a Native American philanthropic program has been used to control, retain, and leverage Native assets and to invest in new assets by helping young people get an education. The field of Native philanthropy is full of similar stories, but contains a diverse array of legal and organizational models.

This report will focus on Native grantmaking institutions, discuss grantmaking models, and attempt to provide a road map through the sometimes confusing field of Native grantmaking organizations. Regardless of the model chosen for the philanthropic program, a large and growing number of tribes and Native nonprofits are using philanthropy to protect Native financial assets, capitalize economic development programs in their communities, and protect and support their cultures. As part of an integrated asset-building program, Native-controlled grantmaking entities are supporting institution building through capitalizing nascent nonprofits in Native communities, and through funding innovative asset-build-

ing strategies. The growth of the Native philanthropic sector over the past 30 years has implications for the development and expansion of Native economies, the civil society sector in reservation communities, and the effectiveness of tribal governments in years to come.

### State of the Field

There is a significant body of literature that explores the cultural and historical context for Native philanthropy.<sup>1</sup> It is widely recognized that while different Native cultures may have different traditions and worldviews, there is a long history of generosity and philanthropy among Native peoples. Many have recognized Native people as the first American philanthropists, and acknowledge a long tradition of informal philanthropy.<sup>2</sup> In different Native cultures, the giving of time, money, or gifts signifies respect, honor, and recognition. This tradition of generosity, often manifesting itself as a potlatch, feast, or giveaway, has played an important role in the political, cultural, and social history of Native peoples in America, but has been long misunderstood by outsiders.

In the past 20 years, we have witnessed a growth of what some would call “formal” Native philanthropic programs. These programs are not unrelated to different tribes’ traditions of philanthropy, and in some ways are an extension of pre-existing practices aimed at helping others. More and more tribal governments are using charitable grantmaking entities to assist with their economic, social, and cultural programs, and an increasing number of Native nonprofit institutions are operating innovative grantmaking programs.

Scholars of the field of progressive social change philanthropy should be increasingly interested in this group of

grantmakers as their numbers and impact increase over time. While not all Native-controlled grantmaking organizations fall into this category, many Native-controlled grantmaking institutions have an explicit mission of social change. Native philanthropists represent a growing and potentially powerful group of minority grantmakers with a progressive social agenda.<sup>3</sup> Progressive social change philanthropy is defined as philanthropy that is focused on challenging inequalities in society, addressing the causes (not the symptoms) of poverty, and empowering individuals to identify their own solutions to social problems.<sup>4</sup> Progressive social change philanthropy is best summed up by the phrase, “Change, not charity.”<sup>5</sup> While many directors of Native-controlled grantmaking institutions have articulated a mission of social change, community development, and cultural preservation, even the most basic descriptive information about their organizations has been difficult to find. As the number and size of these organizations increase over time, however, it will be important to understand their characteristics, goals, and impact, and their place in the field of social change philanthropy.

The actual numbers and characteristics of Native philanthropic grantmaking institutions are a source of constant debate and discussion. Several researchers have tried to identify the number of Native-controlled foundations and funds,<sup>6</sup> but there remain some questions about definitions and methodology used in these studies. Furthermore, many of these studies are largely descriptive, and fail to identify issues, trends, and implications for the future of reservation communities.

First Nations research suggests that there are currently 53 active grantmaking foundations and funds that are Native controlled. Twenty (38 percent) of these provide only educational scholarships, and the remaining 33

(62 percent) provide a range of grant programs that support other nonprofit or tribal programs in the fields of community, economic, and cultural development. Of the 53 active grantmaking programs, it is noteworthy that over half, or 33 (62 percent), are affiliated with a tribal government, and of those, a slight majority, or 17 (32 percent), are affiliated with gaming tribes. In fact, eight (15 percent) of these foundations were created by state compacts. Tribal gaming has obviously had a big impact on the growth of Native philanthropy, but it is not the only driving force. Thirteen (25 percent) of the grantmaking programs are part of Alaska Native regional or village corporations.

Of the 53 active grantmaking programs, 38 (72 percent) are 501(c)(3) organizations, and 15 (28 percent) are some other legal form that includes anything from informal tribal giving committees to tribal giving programs recognized as so-called 7871 entities by the Internal Revenue Service (named after a section of the Internal Revenue Code).

## Methods

The purpose of this paper is to identify the number, characteristics, and emerging trends of Native-controlled grantmaking entities. The First Nations Development Institute staff has developed a database of all tribal and Native-controlled grantmaking foundations and funds in the United States. Foundations and funds are considered Native controlled if the majority of the board is Native American or if they are owned by tribal governments. Only active grantmaking programs were included in this study (only programs that had provided some form of grants in the last three years). Programs had to provide charitable giving in support of Native people,

**“For tribal governments, there is a broader array of legal options for establishing a charitable grantmaking program.”**

organizations, or communities. Data were collected on a total of 82 foundations and funds using surveys, Internet searches, phone interviews, and Guidestar to access Form 990 data. Of the 82 foundations and funds, 29 were considered defunct, either because they had no active grantmaking in the past three years or because their grantmaking programs were discontinued. Further data were collected on the remaining 53 foundations, and those data are presented for analysis here.

### **Legal and Organizational Structures**

Nearly 10 years after the publication of *Giving With Honor: A Legal Reference on Charitable Activities of American Indian Tribes*,<sup>7</sup> there is little empirical analysis of the range of types, forms, and characteristics of Native grantmaking entities. A question that remains for scholars researching the Native nonprofit sector is how to classify the broad array of philanthropic vehicles that tribes and Native nonprofits use for conducting charitable grantmaking. This question of organizational structure is now rather straightforward for scholars of mainstream charitable organizations. For scholars of the Native nonprofit sector, however, defining organizational structure must address questions related to the intricacies of federal Indian law, tribal sovereignty, and federal tax treatment of Indian tribes.

While there is no single definition for the term “foundation” in common parlance, nonprofit grantmaking entities can legally fall under only one distinct section of the IRS tax code. The IRS regulates the operation of

both private foundations (including family, independent, and corporate foundations) and what are called public charities (including community foundations and nonprofit charitable organizations that provide grants), and both these types of organizations fall under section 501(c)(3) of the Internal Revenue Code. If an entity wishes to establish a grantmaking organization, it usually goes through the following steps: create a corporation or trust under state law; identify the governance structure and policies and procedures for grantmaking; apply to the IRS for tax-exempt status; receive a tax-exempt ruling; and begin grantmaking operations. If the IRS determines that an organization qualifies for tax-exempt status under section 501(c)(3) of the tax code, it will then determine whether the organization is considered a private foundation or a public charity. Private foundations typically get their funding from a single source (in the case of a family or corporate foundation) or just a few sources. Private foundations also have more rigorous reporting requirements to the IRS, and must follow legal guidelines on their distribution and management of their financial assets. A public charity, which is required to meet a public support test (a certain portion of its annual support must come from multiple individuals and organizations, as set forth in Internal Revenue Code Section 170(b)(1)(A)(vi) as modified by Treasury Regulation Section 170A-9(e)(10)), is required to file a Form 990 each year, but does not have as much regulation of its grantmaking activities. Meeting a “public support test” is considered a demonstration that the charity enjoys broad public acceptance and support and is not controlled by a small group of donors.

For tribal governments, there is a broader array of legal options for establishing a charitable grantmaking program. By the nature of being a sovereign government, tribes may design, operate, and regulate their

own charitable-giving programs drawing upon a broad range of organizational structures, with little oversight from the federal government. In fact, most tribal governments have some kind of informal charitable giving program, and many of the more economically successful tribes offer local sponsorships, payments in lieu of taxes, or some other charitable giving operation.<sup>8</sup> Many tribal enterprises give charitable grants as part of their marketing operations. According to the National Indian Gaming Association, gaming tribes contributed over \$100 million to Native and non-Native causes in 2004 alone.<sup>9</sup> Because tribal governments are already mostly immune to taxation and other regulation by state and federal government,<sup>10</sup> there is little incentive for tribes to operate a 501(c)(3) charity.<sup>11</sup> Some tribes, however, choose to establish separate nonprofit corporations and trusts that are subject to regulation under state and federal law (the reasons for this are discussed in greater detail below).

Nilles et al. (1998) state that there are four types of tribal governmental grantmaking organizations. These include an *Indian Tribal Government Charitable Fund*, which is a giving program funded by an Indian tribe but not incorporated as a separate entity; a *Tribal Enterprise Giving Program*, which is a giving program associated with a tribal enterprise, often a casino, and which is not incorporated as a separate entity; a *Tribal Foundation* or *Tribal Enterprise Foundation*, which is established and funded by an Indian tribe or tribal enterprise as a separate trust or nonprofit corporation; and a *Tribal* or *Intertribal Public Charity*, which is established and funded by one or more Indian tribes or tribal organizations as a separate nonprofit corporation.

For ease of analysis, in this paper we will classify and discuss three categories of Native grantmaking organi-

zations which are partially an aggregate of the above categories: A) *Natural Tribal Grantmaking Foundations*, which include all tribal government and tribal enterprise giving programs; B) *Formal Tribal Grantmaking Foundations*, which include all tribal government and tribal enterprise giving programs that are incorporated as 501(c)(3) organizations or as funds in community foundations; and C) *Formal Native Nonprofit Grantmaking Organizations*, which include all grantmaking charities that are 501(c)(3) organizations and have a Native-controlled board of directors, but are not directly affiliated with a tribal government.

The classification schemes for charitable grantmaking entities provided by the Council on Foundations and the Foundation Center had only limited usefulness for this analysis because they are not helpful in categorizing the range of tribal government-controlled funds. While classifying the range of organizational and legal structures presented in this paper was challenging, we believe that our classification scheme provides the greatest utility for understanding the important role of tribal governments in establishing and managing grantmaking programs.

#### **A. Natural Tribal Grantmaking Foundations**

The question of tribal grantmaking foundations is one that both interests and confounds most scholars. As discussed above, tribal grantmaking programs draw upon a broad range of organizational structures, and thus can be hard to analyze and characterize. As government programs of sovereign nations, they require no oversight by the IRS on the management and distribution of tribal funds. Organizationally, they range from informal grantmaking committees, where applications are received and assessed on an ad hoc basis, to formal grantmaking

**“Most of the Natural Tribal Grantmaking Foundations are funded solely by tribal government funds.”**

programs, with a board of directors, bylaws, and formalized policies and procedures. The unifying characteristic of these organizations, for the purpose of this analysis, is that they have not incorporated as a separate entity

under state or federal law. Because of this, little public data exist on them. Based on First Nations’ dataset, we know that they include large grantmaking organizations such as the Forest County Potawatomi Community Foundation, which meets the Council on Foundations guidelines for effective grantmaking, including clear guidelines for grant applications, a transparent governance structure, and effective public communications through an extensive public relations campaign. But tribal giving programs in this category also include the Morongo Charitable Outreach Committee, which has made numerous large donations

over the past 10 years, but has little formal structure to its grantmaking and little public information available about their work.

In fact, given the informal nature of some tribes’ charitable giving activities, it is difficult to identify an accurate number of these grantmaking organizations. Many tribes and tribal enterprises give large philanthropic gifts to local school systems, nonprofits, or other community organizations, but the data on this are difficult to collect beyond a series of anecdotal examples. This lack of information stems from many causes, including a cultural disinclination to draw attention to acts of generosity.<sup>12</sup> Given many tribes’ historical encounters with white settlers and policy makers who used the term “philanthropy” to disguise or promote cultural assimilation programs and tribal relocation, many tribes may not feel comfortable using the term “philanthropy” to describe their grantmaking.<sup>13</sup> There are also many

other cultural and legal reasons for tribal governments to avoid formalized philanthropic structures, including a lack of knowledge of the field of philanthropy, a desire to avoid models that are not considered culturally appropriate, and a desire to retain sovereignty by avoiding the 501(c)(3) legal structure for charitable giving programs.<sup>14</sup> This paper provides an attempt to peer into the “black box” of *Natural Tribal Grantmaking Programs* by identifying programs that have consistently and publicly provided grants over the past few years, yet are not incorporated as a separate entity under state or federal law. First Nations research identifies 14 such programs across the nation, while we acknowledge that many other tribes have expressed their generous nature in other ways and may not be captured in our database.

Most of the *Natural Tribal Grantmaking Foundations* are funded solely by tribal government funds. The foundations captured in this dataset represent tribal government-affiliated giving programs that have been in existence for many years and that have provided a fair amount of public data on their activities. These foundations meet the criteria for being considered part of the nonprofit sector in that they are formal, non-profit distributing, self-governing, voluntary, and of public benefit.<sup>15</sup> While these foundations demonstrate that many tribal governments have utilized their resources to support a broad range of philanthropic causes, some *Natural Tribal Grantmaking Foundations* solicit funds from outside donors to support their work. When soliciting donations from outside sources, tribal governments are similar to state and local governments in terms of the treatment of donations. That is, all donations to state, local, and tribal governments are tax deductible for the donor. In the case of tribal charitable programs, these have come to be called 7871 organizations, named for a section of the IRS tax code.



In 1982, Congress passed the *Indian Tribal Governmental Tax Status Act*. This piece of legislation, codified as Internal Revenue Code Section 7871, treats tribal governments as state governments for certain tax purposes. It allows tribal governments, their political subdivisions, or any tribal governmental fund, entity or program that is an integral part of a tribal government, to receive tax-deductible donations. To qualify for the tax benefits of Internal Revenue Code Section 7871, a tribal government must be recognized by the Department of the Treasury, in consultation with the Department of the Interior, as an entity that exercises sovereign powers (in other words, be a federally recognized tribe). The division of the tribal government that is applying for Section 7871 recognition must be a political subdivision of a tribal government with the power to exercise one of three sovereign powers: 1) the power to tax; 2) the power to police; and/or 3) the power of eminent domain. The division of the tribal government must also be a political subdivision designed for exclusively public purposes. Section 7871 status seems to mainly have implications for those who fund tribal giving programs. All donations to tribal programs are tax-deductible for the donor. Some tribes, however, feel strongly that the Section 7871 designation protects their tribal sovereignty because unlike 501(c)(3) organizations, Section 7871 organizations do not have to file with or report to the federal government.

It is noteworthy that 10 of the 14 *Natural Tribal Grantmaking Foundations* are owned by tribes with significant gaming operations, and seven of the 14 are required by state compacts to use gaming revenues to operate a foundation and provide charitable grants. Perhaps more interesting is the fact that five of the 10 gaming tribes operate charitable grantmaking foundations even though they are not required to by state compacts. The

growth of the gaming industry has been important to the growth of Native grantmaking foundations, but is not the only cause. The relationship between the growth of the gaming industry and the growth of Native grantmaking organizations is discussed in more detail below.

Only one of the 14 *Natural Tribal Grantmaking Foundations*, the Hopi Education Endowment Fund, has an endowment. Hopi Education Endowment Fund is also the only grantmaking foundation in this group to offer only educational scholarships. The vast majority of the other *Natural Tribal Grantmaking Foundations*, with the exception of the Spirit of the Salmon Fund, are funds that are managed by gaming tribes to provide grantmaking in support of a broad range of social, economic, and cultural causes.



**Table 1: Natural Tribal Grantmaking Foundations**

	Name	Tribal Affiliation	State	Year Founded	Scholarships Only?	Endowment?	Formed by a Gaming Compact?	Gaming Tribe?	Notes
1	Coquille Tribal Community Fund	Coquille Indian Tribal Community	OR	2001	No	No	Yes	Yes	
2	Forest County Potawatomi Community Foundation	Forest County Potawatomi Community	WI	2000	No	No	Yes	Yes	
3	Hopi Education Endowment Fund	Hopi Tribe	AZ	2000	Yes	Yes	No	No	Has letter from IRS confirming 7871 status
4	Morongo Tribal Charitable Outreach Committee	Morongo Band of Mission Indians	CA	1995	No	No	No	Yes	
5	Muckleshoot Charity Fund	Muckleshoot Indian Tribe	WA	1995	No	No	Yes	Yes	
6	Rumsey Community Fund	Rumsey Indian Rancheria	CA	2000	No	No	No	Yes	
7	Siletz Tribal Charitable Contributions Fund	Confederated Tribes of Siletz Indians of Oregon	OR	1999	No	No	Yes	Yes	
8	Spirit Mountain Community Fund	Confederated Tribes of Grand Ronde	OR	1997	No	No	Yes	Yes	

	Name	Tribal Affiliation	State	Year Founded	Scholarships Only?	Endowment?	Formed by a Gaming Compact?	Gaming Tribe?	Notes
9	Spirit of the Salmon Fund	Intertribal (the Nez Perce Tribe, the Confederated Tribes of the Umatilla Indian Reservation, the Confederated Tribes of the Warm Springs Reservation of Oregon, and the Confederated Tribes and Bands of the Yakama Indian Nation)	WA	1997	No	No	No	No	Has letter from IRS confirming 7871 status
10	The Cow Creek Umpqua Indian Foundation	Cow Creek Band of Umpqua Tribe of Indians	OR	1997	No	No	Yes	Yes	
11	The Oneida Foundation	Oneida Indian Nation of New York	NY	2000	No	No	No	Yes	
12	The Wild-horse Foundation	Confederated Tribes of the Umatilla Indian Reservation	OR	2001	No	No	Yes	Yes	
13	Tulalip Tribes Charitable Fund	The Tulalip Tribes	WA	2004	No	No	No	Yes	
14	United Auburn Indian Community Giving Program	United Auburn Indian Community	CA	2004	No	No	No	Yes	

**Organizational Capacity, Governance, and Grantmaking Structure of Natural Tribal Grantmaking Foundations**

In an attempt to provide more information about these *Natural Tribal Grantmaking Foundations*, we collected data on their governance and grantmaking structure. The majority of these *Natural Tribal Grantmaking Foundations* have readily accessible public information

on their websites, a clear mission statement, and clear application policies and procedures. Most of them function with a board of directors that includes tribal council members, or that answers to the elected tribal government. Some have very informal policies for making grant decisions, however, and have no clear application policies and procedures and/or do not accept unsolicited grants. There is no public data on the leadership structure of two of the foundations.

**Table 2: Organizational Capacity, Governance, and Grantmaking Structure of Natural Tribal Grantmaking Foundations**

	Name	Year Founded	Has Webpage?	Has Mission Statement?	Has Clear Application Procedures on Webpage?	Has List of Past Grants?	Governance Structure
1	Coquille Tribal Community Fund	2001	Yes	Yes	Yes	Yes	A seven-member board of trustees governs the Coquille Tribal Community Fund. Proposals are considered by a grant committee and approved by the board. Proposals that are not clearly within the CTCF priority areas but not clearly ineligible are screened by the fund’s board of trustees. If at least one board member seeks a board meeting discussion of the proposal, it can be considered for funding.
2	Forest County Potawatomi Community Foundation	2000	Yes	Yes	Yes	Yes	The Forest County Potawatomi Community Foundation has two executive directors and a foundation board. An administrative assistant and grants administrator take care of the day-to-day needs of the foundation. The foundation staff reviews all incoming applications to make sure that they are complete and eligible. Then, applications are reviewed by the foundation advisory committee and sent on for action by the executive council.

	Name	Year Founded	Has Webpage?	Has Mission Statement?	Has Clear Application Procedures on Webpage?	Has List of Past Grants?	Governance Structure
3	Hopi Education Endowment Fund	2000	Yes	Yes	Yes	Yes	Hopi Ordinance #54 places the governance and management of the fund and its assets in the hands of a general member board, which oversees the fund. Currently, the board has 20 members, consisting of Hopi scholars, businesspeople, students, artists, and other persons from the Arizona community. A seven-member executive committee, elected by the fund board from its membership, acts as the fund's fiduciary agents, manages its general affairs, and is responsible for the day-to-day activities of the fund. The executive committee meets on a quarterly basis while the members meet as a whole annually.
4	Morongo Tribal Charitable Outreach Committee	1995	No	No	No	No	A chairperson and a charitable outreach committee work closely with the Morongo Tribal Council. Grant allocation is decided upon through an informal process.
5	Muckleshoot Charity Fund	1995	No	No	No	No	No data.
6	Rumsey Community Fund	2000	Yes	Yes	Yes	Yes	The Rumsey Community Fund board is comprised of five members: three tribal members and two community members. The board meets quarterly to discuss and make final decisions on all grant applications.
7	Siletz Tribal Charitable Contributions Fund	2001	Yes	Yes	Yes	No	The Wildhorse Foundation's board of directors meets quarterly to make awards.

	Name	Year Founded	Has Webpage?	Has Mission Statement?	Has Clear Application Procedures on Webpage?	Has List of Past Grants?	Governance Structure
8	Spirit Mountain Community Fund	1997	Yes	Yes	Yes	Yes	An eight-person board of trustees that includes government and civic leaders and tribal representatives heads the fund. The Spirit Mountain Community Fund board of trustees reviews each grant and makes funding recommendations.
9	Spirit of the Salmon Fund of the Columbia River Intertribal Fish Commission	1997	Yes	Yes	No	No	The six-member Spirit of the Salmon Fund board includes one tribal representative from each of the four member tribes, the Columbia River Intertribal Fish Commission (CRITFC) executive director, and the CRITFC finance director.
10	The Cow Creek Umpqua Indian Foundation	1997	Yes	Yes	Yes	Yes	The foundation board of directors meets biannually to distribute grants to charitable organizations.
11	The Oneida Nation Foundation	2000	Yes	Yes	Yes	Yes	The Onieda Nation Foundation has a six-person executive committee.
12	The Wildhorse Foundation	2001	Yes	Yes	Yes	No	The Wildhorse Foundation's board of directors meets quarterly to make awards.
13	Tulalip Tribes Charitable Fund	2004	Yes	No	Yes	No	The Tulalip Tribes Charitable Fund staff meets quarterly to allocate grant money.
14	United Auburn Indian Community-Giving Program	2004	Yes	Yes	Yes	Yes	The Giving Program was established as a philanthropic branch of the tribal government. The UAIC contributions committee meets quarterly to consider requests for funding.

**B. Formal Tribal Grantmaking Foundations**

Grantmaking organizations associated with tribal governments or intertribal entities account for the majority of all Native grantmaking organizations. In addition to 14 *Natural Tribal Grantmaking Foundations*, First Nations’ dataset identifies 19 *Formal Tribal Grantmaking Foundations*. These are grantmaking entities that are owned by or affiliated with tribal governments, but have applied for and received recognition as either a public charity or private foundation under federal tax law. The incentives for tribal governments to apply for 501(c)(3) status are numerous, and include the desire to shield a foundation from tribal politics, a desire to demonstrate accountability to potential funders, and the desire to follow a predictable formula for establishing a grantmaking entity (Berry 1998; Orr 2003). The main motivation, however, seems to be to more effectively solicit donations from outside donors. Tribal giving programs (including many scholarship programs) that are partly dependent on outside donations by foundations or individuals are more likely to incorporate and apply for 501(c)(3) status under federal law. Because of ignorance on the part of many donors, and restrictions written into the bylaws of many large foundations that limit grantmaking to 501(c)(3) organizations, several tribal giving programs have decided to apply for 501(c)(3) status to improve their chances of receiving grants from outside donors. As 501(c)(3) programs, they retain their connection to the tribal government by appointing members of the tribal council to their boards, or having the board of directors appointed by the tribal council. For example, one formal tribal grantmaking foundation incorporated under tribal law, and then received notification of 501(c)(3) status from the IRS.

There is a small group of tribal giving programs that identify as tribal government 7871 organizations but also actively solicit grants from outside donors. These include the Spirit of the Salmon Fund and the Hopi Education Endowment Fund. These two organizations have contacted the IRS to receive a private letter ruling confirming their program’s status under section 7871 of the Internal Revenue Code, providing them with a tool that they hope will comfort mainstream funders. *Formal Tribal Grantmaking Foundations* range from organizations with large annual budgets, such as the Cherokee Preservation Foundation, with an annual budget of nearly \$5 million, to small scholarship foundations with annual budgets of \$10,000 or less. Most of these foundations operate with a mixture of tribal government funds and private foundation support. As can be seen in Table 3, in contrast to the *Natural Tribal Grantmaking Foundations*, only five of the 19 are affiliated with gaming tribes. It is noteworthy that three of those five have foundations that predate their gaming operations. Only one *Formal Tribal Grantmaking Foundation*, the Cherokee Preservation Foundation, was created by a state gaming compact.

For the purpose of this analysis, the foundations and grantmaking programs associated with Alaska Native Corporations are included in the category of the *Formal Tribal Grantmaking Foundations*, and they constitute the majority of Formal Tribal Grantmaking Foundations, or 13 of the 19. They also constitute the majority of the *Formal Tribal Grantmaking Foundations* with endowments. Because of the unique history of the Alaska Native governments, these intertribal



organizations were more likely to choose a 501(c)(3) structure for their grantmaking programs. This history is discussed in more detail below.

As can be seen in Table 3, a total of 12 of the 19 *Formal Tribal Grantmaking Foundations* have some form of endowment, and many plan to capitalize an endowment in the next few years. In each case, the tribal government or intertribal association played a key role in

capitalizing the endowment funds. Eight Alaska Native foundations have endowed funds, and four additional *Formal Tribal Grantmaking Foundations* that are not affiliated with Alaska Native corporations have endowed funds. A majority of *Formal Tribal Grantmaking Foundations* provide only grants to individuals in support of educational scholarships. Thirteen of the 19 *Formal Tribal Grantmaking Foundations* focus their grantmaking on educational scholarship programs.

### The Laguna Education Foundation: Providing for the Laguna People

The Laguna Education Foundation was originally established in 1995 by the board of the Laguna Department of Education, under the leadership of Executive Director Gilbert Sanchez. The foundation was established as a means of acquiring additional resources to support Laguna Department of Education programs. While the foundation initially operated under 7871 status, this status proved confusing to outside donors and the foundation eventually made the decision to apply for 501(c)(3) status. In 1998, the Laguna Tribal Council passed Tribal Resolution No.15-98 approving the establishment of the foundation as an independent nonprofit organization.

The schools and programs within the Laguna Department of Education receive general operating support from various federal and state agencies. While funding from these sources covers basic operating costs, the funds are often restricted for specific uses and set unrealistic limits on administrative costs. Due to limitations imposed by such federal and state regulations, it became necessary to establish an alternative revenue stream that would not only support the higher-education needs of the people, but would also create a venue for the development and support of more innovative and creative educational programs. To this end, the Laguna Education Foundation was created and charged with the mission to raise revenue both within and outside of the reservation to fully support the educational needs of the Laguna people.

In 2001, the Laguna Tribal Council rose to the challenge of funding education by establishing a \$4.2 million trust fund specifically for higher education. The benefits yielded from the trust fund each year go to support scholarships and the Laguna Education Foundation. The Laguna Tribal Council and Laguna tribal members continue to actively support the efforts of the Laguna Education Foundation through employee contributions and direct donations by various tribal entities. The Laguna Education Foundation was established long before the Laguna casino was built in early 2000, and as of yet has not received any of the funds generated from the gaming enterprise. The Laguna Education Foundation is very happy with their success so far in helping hundreds of tribal members attend college. During the 2002-03 academic year, 112 Laguna college students were granted scholarships from the Higher Education Program of Partners for Success and the Laguna Education Foundation.



### The CIRC Foundation: Supporting the Next Generation of Alaska Native Leadership

The CIRC Foundation is a private foundation established in 1982 by the Cook Inlet Region, Inc. (CIRC) board of directors to encourage education and career development of Alaska Native enrollees of Cook Inlet Region and their direct lineal descendants. The mission of The CIRC Foundation is to promote individual self-development and economic self-sufficiency through education, and to maintain pride in culture and heritage among Alaska Natives who are original enrollees of Cook Inlet Region and their direct lineal descendants.

Since 1996, The CIRC Foundation has operated on earnings from its endowment and contributions from private donors. The major source of private-sector funds is derived from earnings from the Foundation’s endowment, of which CIRC is the primary contributor. The Cook Inlet Region, Inc. uses its business dealings to enhance the endowment of its foundation, sometimes requiring donations to the endowment as part of the business contracts signed with other firms. In 2001, CIRC generously contributed an additional \$28 million toward The CIRC Foundation General Endowment. This promotes the Foundation’s self-sufficiency, which in turn allows it to provide scholarship and grant funding to an increasing number of eligible recipients. The CIRC Foundation’s endowment, launched in 1986, was more than \$53 million as of November 2006.

Since its establishment in 1982, The CIRC Foundation has contributed almost \$11 million for the Alaska Native beneficiaries of Cook Inlet Region, Inc. to participate in post-secondary education and more than \$1.6 million through The CIRC Foundation Education and Heritage Project Grant Program toward other tribal and nonprofit organizations’ projects that further the goals of The CIRC Foundation by serving CIRC shareholders, Alaska Natives and Alaskans.

With the new leadership of The CIRC Foundation, the foundation’s mission has come full circle. Current Foundation president Susan Anderson, a shareholder with the Cook Inlet Region, Inc., is also one of the Foundation’s first education scholarship recipients.



**Table 3: Formal Tribal Grantmaking Foundations**

	Foundation Name	Tribal/Alaska Native Corporation Affiliation	State	Year Founded	Scholarships Only?	Endowment?	Formed by a Gaming Compact?	Gaming Tribe?
1	Ahtna Heritage Foundation	Ahtna, Inc.	AK	1988	Yes	No	No	No
2	Arctic Education Foundation	Artic Slope Regional Corporation	AK	Yes	Yes	Yes	No	No
3	Bering Straits Foundation	Bering Straits Native Corporation	AK	1996	Yes	No	No	No
4	Bristol Bay Educational Foundation	Bristol Bay Native Corporation	AK	1996	Yes	Yes	No	No
5	Calista Scholarship Fund	Calista Corporation	AK	1994	Yes	No	No	No
6	Cherokee Nation Education Corporation	Cherokee Nation	OK	1998	No	No	No	Yes
7	Cherokee Preservation Foundation	Eastern Band of Cherokee Indians	NC	2000	No	Yes	Yes	Yes
8	Chickasaw Foundation	Chickasaw Nation	OK	1971	No	Yes	No	Yes
9	Chugach Heritage Foundation	Chugach Alaska Corporation	AK	1972	Yes	No	No	No
10	Doyon Foundation	Doyon, Ltd.	AK	1989	Yes	Yes	No	No
11	Huna Heritage Foundation	Huna Totem Corporation/Village of Hoonah	AK	1990	Yes	Yes	No	No
12	Koniag Education Foundation	Koniag, Inc.	AK	1993	Yes	Yes	No	No
13	Laguna Education Foundation	Pueblo of Laguna	NM	1995	Yes	Yes	No	Yes
14	Minnesota Tribal Government Foundation	Intertribal (Mille Lacs Band of Ojibwe, Shakopee Mdewakanton Sioux Community, and Prairie Island Indian Community)	MN	2005	No	Yes	No	Yes
15	Navajo Way	Navajo Nation	AZ	1980	No	No	No	No

	Foundation Name	Tribal/Alaska Native Corporation Affiliation	State	Year Founded	Scholarships Only?	Endowment?	Formed by a Gaming Compact?	Gaming Tribe?
16	Sitnasuak Foundation	Sitnasuak Corporation	AK	1993	Yes	Yes	No	No
17	The 13th Regional Heritage Foundation (T13RHF)	The 13th Regional Corporation	AK	1999	Yes	No	No	No
18	The Aleut Foundation	The Aleut Corporation	AK	1987	Yes	Yes	No	No
19	The CIRI Foundation (Cook Inlet Region Inc. Foundation)	Cook Inlet Region, Inc.	AK	1982	No	Yes	No	No

**C. Formal Native Nonprofit Grantmaking Organizations**

In addition to the 33 grantmaking programs that are affiliated with tribal governments, First Nations’ database includes 20 Native-controlled nonprofit organizations that offer some form of grantmaking programming. These organizations are all 501 (c)(3) public charities or private foundations, recognized by the IRS for their tax-exempt status, or are funds in community foundations. These organizations all have the primary purpose of providing grants to other Native organizations or people to support cultural, social, economic, or other charitable causes. What distinguishes *Formal Native Nonprofit Grantmaking Organizations* from the other two categories of Native grantmaking institutions (*Natural Tribal Grantmaking Foundations* and *Formal Tribal Grantmaking Foundations*) is that they are not directly affiliated with any tribal entity. In most cases, these *Formal Native Nonprofit Grantmaking Organizations* were founded by a Native person or a Native board of directors and are not affiliated with any specific tribe or intertribal organization. However, these organizations

remain committed to Native leadership (either through the board of directors or executive staff) and to operating grantmaking programs that provide for the cultural, social, economic, or other charitable needs of Native people and communities.

These *Formal Native Nonprofit Grantmaking Organizations*, while all 501 (c)(3) organizations, represent a broad range of organizational and programmatic structures. Some of them are re-granting funds, which raise funding from outside sources and function as an intermediary to work with remote reservation-based communities. Others are parts of Native service organizations, such as the American Indian College Fund, that have very specialized goals for their grantmaking, such as supporting tribal colleges. A small number are endowed funds, sometimes associated with a family or individual, that are designed to provide educational scholarships. Legally, the majority of these grantmaking entities are public charities, but a small number function as private foundations, and one functions as an endowed fund in a community foundation.

Many of these organizations were founded in the past three decades, a time of significant political activity in the field of American Indian law and politics. Designed to address perceived needs in the area of self-determination, cultural preservation, and economic development, these independent nonprofit organizations chose to use grantmaking as a tool for capitalizing community development through capacity building and empowerment. In the 1990s and the new millennium, another wave of nonprofit grantmaking institutions have emerged, and all focus on using philanthropy not for charity, but as a tool for social change.

Eight of the 20 *Formal Native Nonprofit Grantmaking Organizations* are dedicated to providing only educational scholarships. While this is less than 50 percent of the total number of *Formal Native Nonprofit Grantmaking Organizations*, it still reflects both a perceived need and a grantmaking philosophy among these organizations. The remaining 12 organizations target their grantmaking programs to a broad range of social

needs, including economic development, cultural preservation, support for Native artists, and environmental preservation.

The majority of the *Formal Native Nonprofit Grantmaking Organizations* are public charities that operate a grantmaking program. They raise their funds from a broad range of sources, including other national foundations, individual donors, and the federal government. Four of the 20 operate as private foundations, and receive their funding from a single source or a small number of sources.

Just over half of the *Formal Native Nonprofit Grantmaking Organizations* have some form of endowment. According to research by Native Americans in Philanthropy,<sup>16</sup> an increasing number of Native foundations have established endowments in the past 10 years, representing a positive movement toward stability for these grantmaking programs.

**Table 4: Formal Native Nonprofit Grantmaking Organizations**

	Foundation Name	State of Headquarters	Year Founded	Scholarships Only?	Endowment?	Type of Foundation
1	Alaska Native Arts Foundation	AK	2002	No	No	Public Charity
2	American Indian College Fund	CO	1989	No	Yes	Public Charity
3	American Indian Graduate Center, Inc.	NM	1971	Yes	No	Public Charity
4	Catching the Dream, formerly known as Native American Scholarship Fund	NM	1988	Yes	No	Public Charity
5	Council for Native Hawaiian Advancement's Hawaiian Way Fund	HI	2001	No	Yes	Public Charity
6	First Nations Development Institute	CO	1980	No	Yes	Public Charity

	Foundation Name	State of Headquarters	Year Founded	Scholarships Only?	Endowment?	Type of Foundation
7	First Peoples Fund	SD	1988	No	Yes	Public Charity
8	Fund of the Sacred Circle/Headwaters Foundation for Justice	MN	1988	No	Yes	Public Charity
9	George Bird Grinnell American Indian Children’s Fund	NY	1988	Yes	Yes	Private Foundation – Operating Foundation
10	Gibson Foundation	HI	1987	No	Yes	Private Foundation – Operating Foundation
11	Grotto Foundation – American Indian Family Empowerment Program	MN	2001	No	No	Public Charity
12	Helen Gough Foundation Trust	ND	1964	Yes	Yes	Private Foundation
13	Nihewan Foundation	CA	1969	Yes	Yes	Private Foundation
14	Potlatch Fund	WA	2002	No	No	Public Charity
15	Robert Aqqaquluk Newlin, Sr. Memorial Trust	AK	1989	Yes	Yes	Public Charity
16	Seventh Generation Fund	CA	1977	No	No	Public Charity
17	The Hopi Foundation	AZ	1985	No	Yes	Public Charity
18	The Indian Land Tenure Foundation	MN	2002	No	Yes	Public Charity
19	Thunderbird American Indian Scholarship Fund	NY	1963	Yes	No	Public Charity
20	Two Feathers Endowment	MN	1996	No	Yes	Public Charity

**Trends in Structures of Native Foundations**

The 53 Native-controlled grantmaking organizations in First Nations’ database represent a broad range of organizational, legal, and programmatic structures. Some are informal giving committees, others function as private foundations, and still others function as a community foundation for local tribes and non-Native groups. Each foundation has a different programmatic focus, ranging from economic development to education

to cultural preservation. In our research, however, we discovered some trends among the data.

**Working with Local Community Foundations**

All Native grantmaking organizations, whether they are affiliated with a tribal government or not, need a certain amount of technical assistance in order to ensure their success. In fact, existing research suggests that Native grantmaking organizations are in great need of

## Native Grantmaking Organizations in the United States



technical assistance in the area of fundraising, grants management, and leadership development.<sup>17</sup> One interesting fact that we noted in our dataset was the growing number of tribal grantmaking programs that work with community foundations to manage their financial resources. While some of the Native grantmaking programs, like the Two Feathers Endowment of the St. Paul Foundation, are designed as endowed funds within a community foundation and are not affiliated with a single tribe, others are tribally controlled funds housed and operated within local community foundations. The newly formed Minnesota Tribal Government Founda-

tion has partnered with the Minnesota Community Foundation; the Blackfeet Community Endowment Fund (not currently grantmaking) works with the Montana Community Foundation; and the Hopi Foundation works with the Arizona Community Foundation to manage their resources. The community foundation often provides assistance with funds management, operating the grantmaking process, and public relations. This represents a promising practice as more tribes seek professional assistance in establishing, managing, and marketing their grantmaking programs and philanthropic financial resources.

### **Educational Scholarships**

Another interesting trend is that nearly half of all Native-controlled grantmaking foundations are focused on educational scholarships. While scholarship programs can be costly to run (the Council on Foundations estimates that they can have 15–20 percent administrative costs), they are relatively easy to design and operate, once the criteria for awards are established.<sup>18</sup> Twenty of the 53 active grantmaking programs provide educational scholarships only, and many of the inactive foundations in our dataset also focused their grantmaking efforts on educational scholarships. This appears to be an ongoing trend. Berry (1998) found that the most common interest of Native donors was education, and Delgado (2006) found that 71 percent of the Native philanthropic grantmaking institutions in his study stated that education was their most important field of interest. This reflects the need that is present in many Native communities but also may be an indication that this is all that some of the smaller foundations can afford to fund.<sup>19</sup>

### **Endowments**

Endowments play an important role in ensuring the independence and financial security of grantmaking organizations. Endowments provide a continual source of operational and grantmaking funds. More and more Native-controlled foundations are successfully building endowments to support their grantmaking and to protect their funding in perpetuity. However, our research suggests that a majority of the Native grantmaking programs have no endowment, a factor that may limit their success in the future. These aggregate data reveal more interesting patterns when looked at more closely.

Among *Formal Native Nonprofit Grantmaking Organizations*, nine of the 20 organizations do not have any form of endowment. While research suggests that many *Formal Native Nonprofit Grantmaking Organizations* without endowments are in the process of establishing them, it is clear that this still remains an area of need for many of the Native nonprofit grantmaking organizations.<sup>20</sup>

The patterns among tribally affiliated grantmaking programs (*Natural Tribal Grantmaking Foundations* and *Formal Tribal Grantmaking Foundations*) are worthy of comment. The majority of grantmaking programs affiliated with Alaska Native corporations have endowments. Some are very large, as in the case of the CIRI Foundation and the Doyon Foundation. Many Alaska Native corporations have been very strategic in their capitalization of endowments for their affiliated foundations, often placing a portion of the profits from successful business deals into their affiliated foundation's endowment program. In addition, many Alaska Native corporations have required firms with whom they do business to make a donation to their foundation's endowment funds. These strategies represent promising practices related to the control and retention of Native assets, and the leveraging of these assets to produce more assets.

A small number of other tribal programs have also established endowed funds. The Hopi Education Endowment Fund, the Laguna Education Foundation, the Cherokee Preservation Foundation, and the Minnesota Tribal Government Foundation have all established endowed funds to help provide operational and grantmaking funds in support of their programs. The endowed program at Hopi was created with a tribal ordinance, which meant that the program was written into Hopi tribal law giving it more stability and permanence. The Laguna Education

Program was initially a program of the Laguna Pueblos' Department of Education, and in 1998 the Laguna Tribal Council passed Tribal Resolution No. 15-98 approving the establishment of the foundation as an independent nonprofit organization, and in 2001 a trust fund was created to support the program. Both endowment programs were created with the support of the tribal government, capitalized with tribal revenues, and were designed to serve the educational needs of tribal members. The Minnesota Tribal Government Foundation is an intertribal foundation of the Mille Lacs Band of Ojibwe, the Shakopee Mdewakanton Sioux Community, and the Prairie Island Indian Community. Its program was capitalized with tribal funds and makes grants to all nonprofits and tribes in the state of Minnesota. In the case of the Cherokee Preservation Foundation, the board of directors voted to set aside a percentage of their annual revenues generated by the gaming compact each year to capitalize their endowment fund. In each of these cases, the tribal governing body, or the foundation board, made a decision to either donate a lump sum amount to the foundation, or to allocate a portion of annual revenues to an endowment account.

What is striking about tribally affiliated grantmaking programs is that very few of the gaming tribes have used their revenues to establish endowed funds. Unlike Alaska Native corporations, tribal governments have been slow to use their gaming operations to capitalize endowments for grantmaking programs. This is also true for tribes with successful oil and gas, timber, or other enterprises. In the case of gaming tribes, this may be due to limitations written into state compacts (more information on these

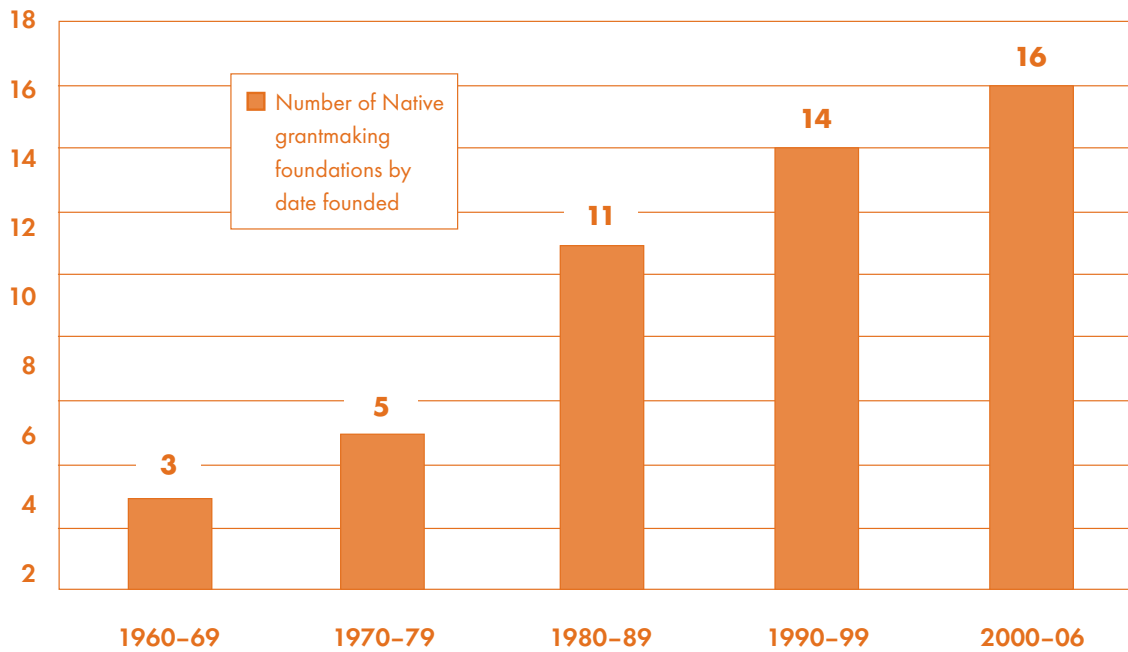
limitations is provided below). It also may be the case that they choose to use their revenues to set up funds to care for their youth, elders, or others in their communities. In fact, many tribes that do not have a history of institutional philanthropy may choose not to support long-term endowments because they are eager to first respond to urgent community needs related to poverty, lack of education, and other social ills.<sup>21</sup> Regardless, the pattern reveals that many tribes are choosing not to fund endowments for their philanthropic vehicles for one reason or another, thus missing an opportunity to use a philanthropic model to protect tribal assets for future service provision. This represents an area of potential growth for these tribally controlled grantmaking programs, both *Natural Tribal Grantmaking Foundations* and *Formal Tribal Grantmaking Foundations*.

### **Historical Forces Leading to the Growth of Native Grantmaking Programs**

The number of Native-directed grantmaking institutions has grown significantly over the past three decades. As can be seen in Figure 1, the 1980s, '90s, and the new millennium have produced over 10 grantmaking entities each decade.<sup>22</sup> While there are numerous causes for this development, key federal policies in the 1970s and 1980s, and tribal communities' reaction to these policies, have contributed significantly to this growth. The policies include the growth of tribal legal self-determination, the growth of Indian gaming, and the Alaska Native Claims Settlement Act.



**Figure 1: Number of Native grantmaking foundations by date founded**



**Tribal Legal Self-Determination**

Unlike the mainstream philanthropic sector, the Native philanthropic sector has only begun to blossom in the last three decades. In mainstream society, the voluntary sector developed very early in the democratic experiment of the United States because of the individualistic nature of the immigrants and their fear of the controlling government structures they left behind in Europe and elsewhere.<sup>23</sup> The nonprofit sector continues to play an important role in American society, responding to governmental and market failures by stepping in to provide services and help shape policy, and contributing to our democratic experiment by consistently expressing

a broad array of political, cultural, and social perspectives.<sup>24</sup> To quote John Stuart Mill, “Government operations tend to be everywhere alike. With individuals and voluntary associations, on the contrary, there are varied experiments, and endless diversity of experience.”<sup>25</sup>

The experience of Native peoples in this country follows a different history. In the mid to late 1800s, starting around the time Alexis de Tocqueville wrote, “Nothing, in my opinion, is more deserving of our attention than the intellectual and moral associations of America,”<sup>26</sup> most American Indians were being organized into a reservation system as a result of treaties and other agreements with the U.S. government. This system

**“Low levels of federal funding for tribal programs have stimulated tribes to turn to alternate models.”**

superimposed governmental and other structures on Native peoples, denying and sometimes destroying their traditional societal structures in the process. What resulted and continued over the next century or so

was a centrally planned and controlled economy for Native peoples with the federal government at the head. It has only been within the past 30 years that Native tribes and peoples are breaking free of the federal government as the central planning authority.<sup>27</sup>

The early 1960s through the present day is sometimes called the “self-determination” era, characterized by expanded recognition and applications of the powers of tribal self-government. In 1975, Congress passed the Indian Self-Determination and Education Assistance Act (P.L. 93-638), which gave tribes a mechanism to assume

the administrative responsibility to manage federal programs that were designed for their benefit. Appropriations for Indian programs, including both the Bureau of Indian Affairs (BIA) and the Indian Health Service (IHS), significantly expanded during the 1970s. In 1991, Congress passed the Tribal Self-Governance Demonstration Project Act (P.L. 102-184). The Self-Governance Project allowed for 30 tribes to act on their own behalf in obtaining funding and providing services for their members. In 1994, the Tribal Self-Governance Act was passed (P.L. 103-413), which established self-governance as a permanent option for tribal governments and allowed up to 20 additional tribes to participate in this initiative each year. Under P.L. 93-638, the BIA is the administrator and the tribes are contractors. Under self-governance, the tribes are responsible for

programs in their entirety and while they must negotiate their annual contracts (compacts) with BIA and the Office of Self-Governance, the BIA is not involved in the management of the programs. At present, only Interior Department and IHS monies are available for self-governance compacts. Tribes are receiving increasing federal funding from an increasing number of federal agencies, all of whom now have tribal consultation policies in place. Increased tribal self-governance has led to increased management capacity on the part of tribal members and tribal governments, and over time has led to an increased control of tribal funds and tribal programs.<sup>28</sup>

The movement from a highly centralized, federally controlled governmental structure that was colonial in nature, to increased tribal government control of social services and other programs initiated the growth of several social service nonprofits in reservation-based communities.<sup>29</sup> Increased tribal government control has also spawned several advocacy nonprofits that contribute to the expression of diverse viewpoints in local communities and have begun to strengthen civil society. More recent growth in the private sector continues to develop new nonprofits that provide a range of expressive, service, advocacy, and community-building roles.<sup>30</sup>

As tribes and Native people grew more familiar with managing their own organizations, many innovative tribes turned to nonprofit models, including grantmaking models, to administer or enhance their social service programs. For example, the Chickasaw and Laguna Pueblo tribes both established nonprofit grantmaking institutions to enhance the educational programs at their reservations and jurisdictional areas. While self-determination helped more tribes gain management authority and skill,

the low levels of federal funding for tribal programs have also stimulated tribes to turn to alternate models.<sup>31</sup>

### **The Growth of the Indian Gaming Industry**

A second factor leading to the increase in tribal giving programs was the passage of the Indian Gaming Regulatory Act in 1988, and the subsequent growth of Indian-owned gaming operations. It all started in 1979, when the Seminole tribe of Florida became the first Indian tribe to operate a high-stakes bingo game. With the advent of more profitable gaming in the early 1980s by the Cabazon Band of Mission Indians and the Morongo Band of Mission Indians, which opened high stakes poker parlors, tribes began to recognize the income-generating power of gaming operations. More and more tribes began to open casinos or other gaming operations.

The complexity of Federal Indian law means that Indian reservations are generally exempt from regulation by the states and this in turn, puts the federal government into a dilemma over the issue of gaming. The issue came to a head in 1987 with *California v. Cabazon Band of Mission Indians*, which pitted the state of California against Indian tribes over the issue of gaming on reservations. The U.S. Supreme Court found that by allowing gambling within the bounds of the state, the state could not prohibit gaming on the reservation within that state. In other words, the state could not prohibit gaming on a reservation while it endorsed or participated in similar gaming off the reservation.

As a result of the decision in *Cabazon*, in 1988 Congress enacted the Indian Gaming Regulatory Act

to provide a statutory basis for the operation of gaming by Indian tribes as a means of promoting tribal economic development, self-sufficiency, and strong tribal governments. Many tribes believe that the Indian Gaming Regulatory Act infringed upon tribal sovereignty because it required tribes to enter into compacts with states before they could offer certain types of gaming, and it restricted the use of gaming funds. While the legislation clearly indicates that states do not have the right to collect taxes on Indian reservations, the state compacts that tribes must participate in often require that the tribes pay the state a large portion of their revenues. Rarely does Congress place such restrictions on state or local governments, and privately owned casinos have no such obligations.

The Indian Gaming Regulatory Act regulates Indian gaming and distinguishes between three classes of games. The category relevant to this research, class III games, is quite broad and includes, but is not limited to: slot machines, blackjack, wagering games, and electronic facsimiles of games of chance; in general, casino-style games fall under the class III distinction. For a tribe to conduct class III gaming they must negotiate a tribal-state compact that has been approved by the Secretary of the Interior. The Indian Gaming Regulatory Act also requires that gaming revenues be allocated for specific purposes, including miscellaneous charities. Some states require the establishment of charitable foundations funded by gaming revenue. In short, gaming compacts often mandate the size, characteristics, policies, and organizational structure of tribal giving programs. Table 5 provides an overview of eight foundations affiliated with gaming tribes, and the requirements associated with each state-tribal gaming compact.

**Table 5: State Compact-created Foundations**

	Foundation Name	Year Founded	State Compact Required Creation of a Charitable Foundation?	Restrictions on Funding Native Programs?
1	Cherokee Preservation Foundation	2001	Yes	No
2	Coquille Tribe Community Fund	2001	Yes	No
3	Cow Creek Umpqua Community Foundation	1997	Yes	Yes (The local tribe decided not to fund programs benefiting the local tribe or Native Americans, but instead to fund projects benefiting the broader community. Much of the funding goes toward local schools.)
4	Forest County Potawatomi Community Fund	2000	No. But according to the 1999 Tribal/State Compact Amendment between the State of Wisconsin and the Forest County Potawatomi Community, funds paid to the state by the tribe will be directed to programs beneficial to communities in Milwaukee and Forest counties. To facilitate this activity, the Forest County Potawatomi Community created the Forest County Potawatomi Foundation with the goals of fighting poverty, promoting economic opportunity, strengthening communities, and providing examples of responsible citizenship.	No
5	Muckleshoot Charity Fund	1999	Yes	Yes. Organizations benefiting from the Muckleshoot Charity Fund must be non-tribal.
6	Siletz Tribal Charitable Contributions Fund	1999	Yes	No

	Foundation Name	Year Founded	State Compact Required Creation of a Charitable Foundation?	Restrictions on Funding Native Programs?
7	Spirit Mountain Community Fund	1997	Yes	Yes. Originally, the tribal/state gaming compact prohibited giving money to Confederated Tribes of Grand Ronde programs and other tribes in 11 county area. This was renegotiated in 2005, and now the tribe may fund other tribes in the area but still may not fund programs that benefit their tribal members or support organizations in their own community.
8	The Wildhorse Foundation	2001	Yes	No

While many people have heard stories, both good and bad, about increased Indian wealth due to gaming, the mainstream narrative describing Indian gaming does not seem to include stories of significant Indian philanthropy. Yet the growth of Indian gaming is an important factor in promoting the growth of tribally controlled philanthropic grantmaking programs (both formal and informal). First, the state compacts that many tribes have signed with state governments have resulted in the creation of at least eight formal grantmaking entities. Second, the vast majority of the 217 class II or class III gaming operations engage in some form of philanthropic activity, accounting for at least \$100 million in 2004 alone.<sup>32</sup> Because a great deal of this charitable giving is informal and unstructured, however, it is not well understood. First Nations’ dataset includes a total of 14 Native grantmaking entities that are directly funded by tribal gaming revenues. We can gain a better understanding of the scope and characteristics of some tribal grantmaking programs by reviewing a few case studies (see text box: State Compact-created Charitable Giving Programs).

Gaming has not solved the problem of high poverty levels in the majority of Indian communities. Only 198 tribes out of the over 560 federally recognized tribes have gaming operations, and the top 20 gaming operations account for 56 percent of the total Indian gaming revenue. The majority of reservations are located in remote rural areas, and the poverty rate on these reservations remains three times higher than the national average.<sup>33</sup> Real per capita income on these reservations ranges from 35 percent of the U.S. average on reservations with no gaming, to 45 percent on reservations that have some form of gaming operations.<sup>34</sup> Some tribes have used gaming revenues to establish grantmaking institutions as an innovative strategy for capitalizing social, economic, and community development projects in the local community. Unfortunately, however, many tribal foundations face limitations on their grantmaking, imposed by state compacts, which restrict them from providing grants to their own tribal members, or in some cases, to other tribes. Regardless, gaming tribes continue to capitalize a large percentage of Native grantmaking activity.



The tribal foundations in our dataset funded by gaming revenues have a range of different activities and goals. While some foundation representatives acknowledge that their grantmaking operations are tied to the marketing missions of their enterprises, they also retain a mission of social change and social ameliora-

tion through philanthropy. In some cases, these tribal foundations have become important partners in the local philanthropic community, and therefore have become an important social and political force due to their significant grantmaking.

## State Compact-created Charitable Giving Programs — A Few Examples

### *The Spirit Mountain Community Fund*

The Spirit Mountain Community Fund was established in January 1997, when the Confederated Tribes of Grand Ronde renegotiated their state gaming compact and suggested that the State of Oregon allow the tribe to create a charitable foundation. The Spirit Mountain Casino collects about \$75 million in revenue every year and decided to direct approximately 6 percent toward the Spirit Mountain Community Fund. The philanthropic arm of the Confederated Tribes of Grand Ronde, The Spirit Mountain Community Fund was established as a way for the tribe to give back to their neighbors and citizens and support their goal to be nurturing and supportive community citizens. The Spirit Mountain Community Fund donates about \$5 million each year to local programs and services that benefit citizens striving for self-sufficiency. Like other funders, Spirit Mountain Community Fund would like to support programs that address the roots of problems rather than focusing on fixing symptoms.

An eight-person board of trustees that includes government and civic leaders and tribal representatives heads the fund. Targeting programs in the areas of public safety, health, education, culture, environment, problem gaming, and historic preservation, the fund distributes money to an 11-county area including Clackamas, Multnomah, Washington, Tillamook, Lincoln, Yamhill, Polk, Marion, Benton, Linn, and Lane Counties. While initially the gaming compact prohibited the Spirit Mountain Community Fund from giving money to Confederated Tribes of Grand Ronde programs, or to the programs of other tribes in the 11-county area, the tribe recently changed their compact so that they are able to make charitable grants to other tribes in the state. To date the Spirit Mountain Community Fund has given over \$30 million to Oregon nonprofits.

Between 1997 and 2000, the foundation was used in part as a publicity tool for the casino, which became one of the top tourist attractions in the state. The foundation shared the logo with the casino, and most of the grants went to larger programs in the Portland area. In 2000, after some strategic planning, the tribe decided to make some organizational changes. Recently, the foundation has redesigned their logo and initiated a new publicity campaign to raise awareness of the foundation and its activities.

The foundation's mission statement is as follows: "The Confederated Tribes of Grand Ronde through the Spirit Mountain Community Fund fulfill their Native tradition of potlatch, a ceremony at which good fortune is distributed. The Spirit Mountain Community Fund's focus is to improve the quality of life in Northwest Oregon through community investments that provide lasting benefits consistent with the Tribe's culture and values."

### ***The Cherokee Preservation Foundation***

The Cherokee Preservation Foundation was created when North Carolina and the Eastern Band of Cherokee Indians amended their state-tribal compact in 2000. The compact requires the establishment of a foundation funded and endowed by the tribe. Designed to benefit the Eastern Band of Cherokee Indians and the people living and working on the Cherokee Indian Reservation, the foundation's purpose is to protect and preserve tribal lands, assist in economic and community development, and preserve and develop Cherokee culture, heritage, and customs.

With a 10-person board of directors appointed by the governor, at least six of whom must be enrolled members of the tribe, the foundation was built on annual deposits of \$5 million of gaming revenue for its first three years of existence. After those first three years, the tribe's annual funding requirement determination switched to a formula resulting in donations of between \$5 million and \$10 million per year. The board of directors of the foundation recently made a decision to set aside a percentage of their revenue each year to build their endowment. The foundation hopes that in 30 years, their endowment will approach \$100 million.

The foundation funds projects on or near the original Qualla boundary, including the counties of Haywood, Jackson, Swain, Macon, Clay, Graham, and Cherokee. While the Foundation has freedom over the kinds of projects it supports, the compact requires that no substantial part of the foundation's activities can be related to propaganda or influencing legislation. Further, the foundation is prohibited from working in a political campaign on behalf of any candidate for public office. Their activities are also limited by rules governing organizations with 501(c)(3) status, or organizations characterized as "charitable or religious" under the North Carolina Nonprofit Corporation Act.

The foundation's focus is on project, planning and capacity initiatives that will enhance the Cherokee culture, facilitate economic development and job opportunities, and improve the environment. The foundation is helping the Eastern Band of Cherokee and its neighbors address challenges that include the loss of jobs from manufacturing plant closures, potential environmental degradation due to increased traffic and localized growth in specific areas, the declining growth of small- and medium-sized businesses in the region, and a decline in visits from tourists to Cherokee cultural events and institutions. Since the foundation began making grants in 2002, it has awarded 342 grants totaling more than \$27.1 million. These Native assets, used strategically as philanthropic gifts, are working to help the local community retain, create, and increase new assets.

### ***Muckleshoot Charity Fund***

On January 28, 1999, the State of Washington and the Muckleshoot Indian Tribe amended their gaming compact to include specifications for funneling casino revenue into charitable causes. The compact now states that 0.5 percent of the net win derived from Tribal Lottery System activities, calculated annually, must go to non-tribal nonprofit and charitable organizations in the State of Washington. Additional funding is reserved for Muckleshoot Tribal Government programs that impact the community by helping the tribe and its members become self-sufficient. The compact contains a caveat exempting the tribe from the required donations in any tribal fiscal year in which it fails to make a profit from its class III operations, taking into account the effect of the donations.

Muckleshoot has given \$6 million from its charity fund since its casino opened in 1995. Beneficiaries include after-school and child-care programs at El Centro de la Raza, an organization that assists American Indians, blacks and Hispanics; Children's Hospital and Medical Center; the King County Sexual Assault Resource Center; treatment programs for problem gamblers; and victims of Hurricane Katrina. Muckleshoot Chairman John Daniels Jr. states, "In the spirit of potlatch, each year the Muckleshoot Tribe contributes almost \$1 million to local charities and nonprofit organizations throughout the Puget Sound region. The tribe has developed long-term partnerships with local school districts, state agencies and local municipalities to provide services to both tribal members and surrounding communities." In addition, the Muckleshoot Indian Tribe has also aggressively pursued the purchase of reservation land that had been sold to non-tribal members. All but two-thirds of an acre had been sold on the 3,600-acre reservation, but the tribe has since bought back more than 1,800 acres. Each of these programs represents a way in which assets are used to help the tribe retain and create new assets.

#### ***Forest County Potawatomi Community Foundation***

In 1999, the Forest County Potawatomi Nation created the Forest County Potawatomi Community Foundation. The foundation, created as part of a state compact, is designed to foster economic development for inner-city Milwaukee, where the Potawatomi Casino is located. The foundation is divided into two separate accounts. The larger fund, with approximately \$2 million in revenue per year, is directed toward eliminating poverty and can only be used to aid Milwaukee's indigent neighborhoods. The second fund, with \$1 million in revenue per year, is focused on a variety of issues, many of them Native American, such as health issues and the environment.

Forest County Potawatomi Community Foundation is not required to file with the IRS because it is the product of a state/tribe compact; it is a tribal program completely funded by the tribal budget, and not by outside donors. The state of Wisconsin has set the amount that the Forest County Potawatomi Community Foundation is required to give as a function of total revenues created by the casino. The Forest County Potawatomi Community Foundation performs no direct services for the Forest County Potawatomi community. Rather, the foundation is a way for the tribe to aid the Milwaukee community, which is suffering from prolonged economic stagnation.

Over 200 greater Milwaukee organizations have received funding from the Forest County Potawatomi Community Foundation, with a focus on youth activities, skill training, elderly care, cultural programs, and health awareness initiatives. In 2003, the Forest County Potawatomi Community Foundation donated over \$3.6 million to Milwaukee organizations. Of the funds donated, approximately 44 percent went to community and economic development, 22 percent to youth programs, 16 percent to health and human services, 10 percent to arts and culture, and 4 percent each to Native American and environmental causes. Since 1999, the foundation has donated over \$25 million to the local community and to other tribes in the state.



### **Alaska Native Claims Settlement Act of 1971**

The third key historical event that contributed to the growth of tribally affiliated grantmaking organizations is the Alaska Native Claims Settlement Act. Passed in 1971, the Alaska Native Claims Settlement Act provided an unconventional model for formalizing the relationship between Alaska Native tribes and the United States government. Alaska had only recently achieved statehood in 1959, and the discovery of large oil reserves in Alaska during the 1960s, coupled with the desire to resolve Alaska Native land claims, led to the passage of the act.<sup>35</sup> While Alaska Natives had used and occupied traditional territories in Alaska for centuries, they did not have legal title to this land. The federal and state governments, in addition to numerous private interests in natural resource holdings such as oil, were eager to find a way to resolve the issue of legal title and facilitate natural resource extraction on aboriginal lands. The settlement involved establishing for-profit Alaska Native corporations to represent the interests of Alaska Native villages, and giving those Alaska Native corporations 44 million acres of land and a \$1 billion land claims settlement, while extinguishing all previous land claims. Thirteen regional corporations were created, including 12 in Alaska and one that was created later to represent Alaska Natives living outside the state. In addition, nearly 200 village corporations were created. Alaska Natives who enrolled in their regional or village corporation were made shareholders of their respective corporation, and they each received shares of stock. The size of the regional corporations ranged from Ahtna, Inc., with about 1,000 shareholders, to Sealaska Corporation, with about 16,000 shareholders. Others included: The Aleut Corporation; Arctic Slope Regional Corporation; Bering Straits Native Corporation; Bristol Bay Native Corporation; Calista Corporation; Chugach

Alaska Corporation; Cook Inlet Region, Inc.; Doyon Ltd.; Koniag, Inc.; NANA Regional Corporation, Inc.; and the Thirteenth Regional Corporation.

The Alaska Native Corporations were unique for many reasons, not the least being that they were for-profit institutions that were also tasked with caring for the economic, social, political, and cultural needs of their shareholders. Partially because of the responsibility and desire to care for the social welfare of their members, many Alaska Native Corporations created nonprofit sister organizations to deliver social services. Because of this, many Alaska Native tribes have become more comfortable with using nonprofit models to deliver social services and other services.

A majority of the Alaska Native corporations also created corporate foundations in order to use charitable giving to support their social service missions. Most of these foundations provide educational scholarships, and many foundations also fund cultural and economic development programs. The foundations were capitalized by either yearly contributions or a series of lump-sum contributions. In the majority of cases, these foundations were able to establish endowments to support their work, but in other cases, they remain funded by annual contributions of their corporate sponsors. Twelve of the 13 regional corporations have some form of grantmaking entity associated with them, the majority of which support scholarship programs. As stated above, this constitutes a majority of the *Formal Tribal Grantmaking Foundations* that are captured in our database. The unique history of the Alaska Native tribes, and their use of nonprofit models, may help explain the prevalence of endowed grantmaking institutions in Alaska.

## Summary and Areas for Future Research

Over the past three decades, due to a broad range of social and historical forces, tribal governments and Native people have increasingly turned to philanthropic models to support economic and community development. As part of an integrated asset-building program, Native-controlled grantmaking entities are contributing to institution- and skill-building in Native communities through funding Native nonprofits and innovative asset-building strategies. An increasing number of tribal governments are using endowed grantmaking programs as a tool for capitalizing social and economic development projects. Some of these programs are targeted at the local community and tribal members, while other programs are directed at the broader state or region, and play a role in improving public relations between the tribe and broader society. This paper includes many examples of promising practices. Funds endowed with tribal assets provide a sustainable source of revenue for a broad range of economic and community development activities. Strategic grantmaking in support of Native nonprofits and community development organizations, designed to foster economic development and social change, is also a promising practice.

While the growth in both tribal and non-tribal grantmaking programs is impressive, this report reveals ongoing areas of need for the field of Native philanthropy. The majority of the grantmaking programs in this report have no endowment, which threatens their continuity if the funding sources for their programs change or disappear.

The fact that over 20 Native grantmaking institutions have ceased their grantmaking operations provides further support for this argument. Many of these grantmaking programs continue to require technical assistance and support, and as the field grows, there is a need for networking, information sharing, and resource development. Many Native philanthropic leaders emphasize the need for training in the areas of evaluation, impact assessment, and leadership development. Tribal and Native nonprofit-sponsored giving programs represent a broad array of organizational and programmatic structures. There is a need for ongoing research to identify needs, impacts, and emerging trends.

The success of Native and tribally controlled grantmaking institutions has implications for the largely rural communities where many of them are located or target their funding activities. In some cases, the endowments of these grantmaking programs are positioning them as key economic and therefore political actors in the future of these rural communities. The impact of these foundations, and their contribution to progressive social change philanthropy should be closely monitored and studied. While the types and forms of Native-controlled grantmaking entities are numerous, there is one unifying theme: tribal governments and Native nonprofit leaders are increasingly turning to grantmaking as a tool for capitalizing Indian communities, stimulating social change, and giving back. The programs covered in this paper represent a broad array of promising practices, and provide inspiration for other tribes eager to continue their traditions of philanthropy.

## Endnotes

- <sup>1</sup> Adamson 1993; Adamson 1998a; Adamson 1998b; Berry 1999; Grim 1998; Nilles et al 1998; Thorpe 1998; Wells 1998.
- <sup>2</sup> Berry 1998; James 1995; Wetherford 1992.
- <sup>3</sup> Roberts 2004.
- <sup>4</sup> Perlmutter and Kramer 2001; Jenkins 1989; National Committee for Responsible Philanthropy 2003; Rabinowitz 1990.
- <sup>5</sup> Perlmutter and Kramer 2001.
- <sup>6</sup> see Ewan and Wollock 1994; Berry 1998; Delgado 2006.
- <sup>7</sup> Nilles et al. 1998.
- <sup>8</sup> Berry 1999.
- <sup>9</sup> National Indian Gaming Association 2006.
- <sup>10</sup> It is important to note that members of Indian tribes pay personal income tax to federal and state governments, and tribes and Indian individuals pay other state and local taxes. For a more complete discussion of taxation and tribal governments, see Canby 2004 and Pevar 2004.
- <sup>11</sup> Nilles et al. 1998.
- <sup>12</sup> Berry 1999; Wells 1998.
- <sup>13</sup> Adamson 1998b; Bordewich 1996; Limerick 1987.
- <sup>14</sup> Many tribal governments prefer to avoid the 501(c)(3) nonprofit corporation structure because they feel that this gives the IRS and state governments legal jurisdiction to regulate their activities, and they believe that the U.S. government should not be regulating the activities of a sovereign nation.
- <sup>15</sup> Salamon 1999.
- <sup>16</sup> Delgado 2006.
- <sup>17</sup> First Nations Development Institute et al. 2005; First Nations Development Institute 2006; Delgado 2006.
- <sup>18</sup> Tarnacki 1992; Fischer 1998.
- <sup>19</sup> Salway Black 1997.
- <sup>20</sup> Delgado 2006; Berry 1999.
- <sup>21</sup> Berry 1998.
- <sup>22</sup> These figures do not include Native grantmaking programs that are currently defunct. There are over 20 Native grantmaking programs that were established between 1970 and 2006 that are no longer making grants.
- <sup>23</sup> Skocpol 2003.
- <sup>24</sup> Salamon 1999.
- <sup>25</sup> Mill, 2002 Modern Library Paperback edition, p. 114.
- <sup>26</sup> de Tocqueville, 1994 Knopf edition, p. 110.
- <sup>27</sup> Salway Black 1997.
- <sup>28</sup> It is important to note that the majority of federally funded programs are underfunded and most are facing reductions in funding (U.S. Commission on Civil Rights, 2003 and 2004). This may contribute to the rise of new grantmaking programs as a strategy to provide funding for social services.
- <sup>29</sup> Salway Black and Dewees 2004.
- <sup>30</sup> Salway Black and Dewees 2004.
- <sup>31</sup> U.S. Commission on Civil Rights, 2003 and 2004.
- <sup>32</sup> National Indian Gaming Association 2006.
- <sup>33</sup> Taylor and Kalt 2005.
- <sup>34</sup> Taylor and Kalt 2005.
- <sup>35</sup> Clinton et al. 2003.

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## CHAPTER 5: EARNED INCOME TAX CREDIT

### Putting the Earned Income Tax Credit (EITC) to work in Native Communities

“Our VITA site has really assisted our community, in terms of helping people get EITC and open bank accounts.”

-VITA site manager on Wisconsin reservation

#### Introduction

This chapter addresses the current and potential economic power related to the receipt of the Earned Income Tax Credit (EITC) in Native communities. Although we begin with a brief description of EITC policy (at both federal and state levels), making a case for its significance in the economic success of all families with low incomes, no attempt is made to provide a comprehensive history and assessment of the EITC, since literally thousands of articles, publications, and websites have been devoted to that effort in recent years.

In the first part of the chapter, we provide a short synopsis of the knowledge of, access to, current receipt of, and the potential for full receipt of the EITC in Native communities. We outline a number of examples of effective EITC programs and Voluntary Income Tax Assistance (VITA) sites serving Native communities – replication of them could lay the groundwork for significant positive economic change in Indian Country – and finally include a description of the key partners and related resources available to assist in these efforts on a broad scale.

In an attempt to describe potential economic development implications of capturing more of the EITC refund dollars available for qualified Native

families, we devote the latter part of the chapter to an analysis of data gathered from selected Native-run and Native-serving EITC programs and VITA sites across the country, resulting from a study completed in 2006 by researchers and graduate students at the Kathryn M. Buder Center for American Indian Studies and Center for Social Development at Washington University in St. Louis.





## Putting the Earned Income Tax Credit (EITC) to work in Native Communities

The purpose of the study, funded by the Annie E. Casey Foundation, with additional support from First Nations Development Institute (First Nations) and the Center for Social Development (CSD), was to examine how well EITC dollars are being leveraged for families in Native communities, through on-site volunteer-run tax preparation services. The study also sought to determine what potential impacts the money claimed might have on the economic development plans of Native nations – particularly if Native communities are considering utilizing an integrated asset-building strategy (such as the one outlined earlier in this report). Integrated asset-building strategies combine a number of asset-building initiatives, such as financial education, EITC receipt, free tax preparation when available, Individual Development Accounts (IDAs), affordable financial services, and greater access to reasonably priced credit – initiatives that give people greater opportunities to build individual wealth and hence strengthen the community and its economic health.<sup>1</sup>

The chapter ends with two addenda items: 1) a list of key websites devoted to providing information regarding promoting and developing EITC campaigns and VITA sites that could be particularly useful to Native communities, and 2) state policy recommendations from the Native Financial Education Coalition (NFEC), intended to help governments better facilitate the receipt of EITC for the families that can best utilize them – including a large number of Native families.

### Impacts of Federal EITC Policy on Low-income Families

The Federal Government passed bipartisan legislation creating the Earned Income Tax Credit in 1975, with the

initiative becoming permanent in 1978. The two original objectives of the legislation were to reduce taxes for low-income families, and to give work incentives a boost. The main focus of policymakers supporting the policy was to put extra money into the pockets of working parents with low incomes as a work “reward,” or income supplement. To date, the policy seems to be working effectively in that regard.

The EITC may reduce the amount of tax an eligible individual or family owes, and return it in the form of a refund. The key to this policy is that it offers a refundable credit, which is much more valuable to low-income families than other types of tax credits because it does not require the tax filer to owe any taxes to receive the credit. Other types of tax credits or deductions (non-refundable) are worth nothing to most low-income families, especially low-income, single-parent working families, since they have little or no tax obligations to offset.

In 1998, the EITC was responsible for lifting more families with children out of poverty than all other means-tested programs combined, and is currently the largest cash transfer program for qualified low-income parents in the United States.<sup>2</sup> In 2001, more than 19 million people throughout the country claimed the credit, receiving more than \$32 billion in tax reductions or refunds, making the EITC a larger federal aid program for families with low incomes than food stamps and Temporary Assistance for Needy Families (TANF) combined.<sup>3</sup>

The EITC began with a modest appropriation that yielded a maximum benefit of just \$400 per family. Funding for the policy was increased substantially in 1986, 1990, and 1993, which also increased the amount received by claimants. Initiated by a Republican administration, EITC policy and appropriations grew



significantly under a Democratic administration, illustrating the bipartisan support the EITC enjoyed throughout its history. President Ronald Reagan was firmly behind the institutionalization of the EITC, stating: “The Earned Income Tax Credit serves as an offset to social security and income taxes and provides work incentives for many low-income families with dependents.” The increases it received mostly targeted working families with children, and at a 1993 event publicizing the then-administration’s role in the increases, President Bill Clinton lauded the expansions and praised a policy that made work its primary goal, stating “[the EITC is] not about more governmental or social workers, or more services. It’s about more groceries and a car, more school clothes for the kids and more encouragement and hope to keep doing the right thing.”<sup>4</sup>

The Internal Revenue Service administers the EITC through the federal income tax system, making it available only to individuals or families who are U.S. citizens or resident aliens who have a valid Social Security number and some earnings, as defined by law. The size of the credit claimed is based on both the amount of income and the number of children living in the home. Initially the credit rises with earnings, reaches a plateau and then goes down as additional dollars are earned.<sup>5</sup> As mentioned above, families may even qualify to receive a refund if they didn’t earn enough to owe federal income taxes in any given year. In the 2006 tax year, the maximum credit for a working family with two or more qualified children (including biological, foster, permanently and totally disabled, step, and adopted), and a family income of less than approximately \$38,348 (\$36,348 for a single-parent household), was \$4,536.<sup>6</sup>

The EITC therefore offers a sizeable economic boost, and important work incentive, for all families, including many Native families, of which one in four live with income levels at or below the federal poverty line. Most Native communities have traditionally suffered extremely high rates of unemployment, which is abating in some communities through the increase in small businesses, hotels, tourism, and new tribally developed and owned industries on or near reservations (including, but not limited to, gaming operations). Individual income for Native people has increased by 30 percent from a decade ago (slightly higher than the increase for the U.S. population overall), but this figure likely results from starting at a much lower point, with the average income of Native individuals at less than \$9,000 per year.<sup>7</sup>

### **Additional Impacts of State EITC Policies on Low-income Families**

Traditionally, tax policy at both the state and federal levels has been evaluated in two main ways: 1) how well it serves the asset-building efforts of its main contributors – wealthier households (revenue side), and 2) how well it supplies transfers of funds to lower-income households (expenditure side). The lines between these two ways of looking at the benefits of tax policies have become blurred, with the “expenditure” side having the potential to also serve the asset-building efforts of poor families – who often pay significant taxes as a portion of earned income. There is a clear need for additional research on the general economic effects of taxation policies on low-income families, particularly regarding the role state-level taxation policies play. Data regarding these effects on Native families is particularly needed, since this information has mostly been nonexistent in many studies.

**“Tribes would have to be creative in finding a funding source for a tribally supported EITC.”**

State tax and related policies affect low-income families in a variety of ways that have evolved over time and will likely continue to evolve due to the “new federalism”

approach that offers more autonomy in the design and delivery of state policy.

Some state tax systems affect the poor only through sales and excise taxes, but others have income thresholds so low that the poor pay personal income taxes.<sup>8</sup> Out of 42 states that levy income taxes, 19 states make two-parent families of four with incomes below the federal poverty line liable for income tax, and 16 of those states make poor single-parent families of three pay income tax.<sup>9</sup> These policies illustrate that the poor often do pay income taxes, and would likely benefit from targeted tax-incentivized asset-building policies.

On a positive note, some states have begun to use the tax system as a means of transferring resources to low-income families through a variety of refundable tax credits, predominantly the EITC.<sup>10</sup> Twenty-one states offer a state EITC in addition to the federal EITC, and of these states, 17 offer refundable credits. Most state EITCs are based on the federal qualifying restrictions; usually offering an additional portion or percentage of the federal refund to working low-income families (the percentage varies from state to state). Federal rules state that the income received must be subject to federal income taxes in order to qualify as earned income for the EITC. State rules do not always require the income to be taxable by the state in order to be considered earned income for the EITC.<sup>11</sup>

Funding for state EITCs comes from a variety of sources, including state general revenue funds (taxes) and TANF

funds.<sup>12</sup> States with state-level EITC policies and sizable Native populations include Maine, Minnesota, New York, Oklahoma, Oregon, and Wisconsin. With the exception of Maine, all of the states listed above offer refundable credits.

This trend represents a good-faith effort on the parts of states to support the federal goals of EITC, adding a supporting goal of stimulating state and local economies during economic slowdowns by providing an additional and significant level of financial relief to low-income working families.<sup>13</sup> Tribal leaders might consider taking a more aggressive role in encouraging states to include rules in EITC policies that allow all Native people – reservation workers and residents as well as off-reservation workers and residents – to claim state EITCs. With many Native programs facing significant funding reductions, a more significant role in state EITC policy development could complement efforts to ensure that money is not left on the table when tribal members file taxes. Tribal leaders might also choose to take a leading role in supporting a variety of EITC outreach efforts in their communities, to ensure Native people claim both federal and available state credits at tax time.

Local governments also have the ability to enact EITCs, and currently one city and one county have developed local EITCs. Montgomery County, Maryland enacted a 15 percent refundable EITC in 1999, contracting with the state comptroller’s office to send qualifying families additional checks which were paid for from county funds levied from income taxes. Denver, Colorado has also implemented a local EITC, which is funded by the city’s share of the Colorado federal TANF block grant. Started on January 22, 2002, the Denver EITC is set at 20 percent of the federal credit. These local EITC policy options have great potential in Indian Country, where

tribal governments, who are often the largest employers in their communities, may choose to offer an additional EITC to the workers in their communities. Tribes would have to be creative in finding a funding source for a tribally supported EITC, since tribes do not tax income of employees, and many do not administer their own TANF programs.

At the state EITC level, Wisconsin is a good model of the economic benefits that state EITCs can provide Native people. Wisconsin's EITC is only available to families with children, and is prorated by number of children. Families with one qualifying child receive 4 percent of the federal amount they qualify for, two qualifying children yields them more, and so on. The federal credit is capped at two children, but the Wisconsin benefit is most generous for families with three or more qualifying children, since families can receive a refundable credit up to the equivalent of 43 percent of their federal EITC amount. In 1998, a Wisconsin family with three children and earnings at the maximum federal EITC credit level received a total of over \$5,000 from the state and federal EITCs combined.<sup>14</sup>

Most importantly for tribal members, Wisconsin allows families who live and work on their tribal reservations and want to claim the state EITC to claim it even if their income is excluded from state taxation. The result is that many Native families who have zero income for state income tax purposes still qualify for the state EITC. This innovation occurs because the state rules say that the EITC is calculated as a percentage of federal EITC *without* referencing the taxability of the income to the state; the exclusion being individuals without children who qualify for the federal EITC.<sup>15</sup> Replication of this type of EITC policy that provides incentives for all state residents to pursue employment could have enormously positive

economic impacts on Native families living and working on reservations in many states, due to the fact that treaty and other income for these individuals and families is not taxable by the state, and therefore does not fall under the tax code definition of "earned income."

Wisconsin also allows the refundable state EITC to be used in conjunction with other refundable credits available in the state. Many Wisconsin EITC-eligible families also qualify for the state Working Families Tax Credit. The Working Families Tax Credit is for those who file as single, head of household, or married filing separately with incomes under \$9,000, or those married filing jointly with incomes under \$18,000. The credit is not refundable but along with the Married Couples Credit and Renters and Homeowners School Property Tax Credit, any tax liability is likely reduced to zero before applying the refundable EITC.

Additionally, Wisconsin families may qualify for the state's Homestead Credit even if they have no earned income. The Wisconsin Homestead Credit is based on the total household income compared to the property taxes and mortgage or rent paid. Household income must have been less than \$24,500 for 2006. The maximum amount of the Homestead Credit is approximately \$1,200. It is not surprising that a policy using the term "homestead" should not benefit a large number of Native families – since there is a requirement that the property lived in must either be subject to state property taxes or have payments made in lieu of property taxes, which does not include trust land (which is not subject to state property taxes). This means that the majority of families living on reservation trust land are not subject to state property taxes. Tribal housing authorities also do not make payments in lieu of property taxes, so those families are not entitled to the Homestead Credit under



either scenario. However, Native families not living on trust land, as is the case with many urban Native families in Wisconsin, may qualify for these credits. Native leadership and citizens in the state could encourage the state to amend this and similar tax laws to benefit all state residents, including those who live on trust lands.

### **The Importance of Increasing Receipt of the EITC in Native Communities**

The EITC has served for 30 years as one of the more creative federal policies for people with low incomes. State versions serve much the same role. This policy has provided a much-needed economic boost to tens of thousands of qualifying families – including a significant number of Native people. However, despite positive results, millions of EITC dollars go unclaimed each year, often by people who need the money the most. The IRS estimates that around 25 percent of all families qualifying for the EITC do not claim the money due them.<sup>16</sup>

The amount of unclaimed EITC dollars, in general, are highest in the areas of greatest poverty, including many Native communities. However, according to the Brookings Institution, in 2000 there were 17 ZIP codes where 70 percent or less of qualified tax filers claimed the EITC, and nine of those were located in population areas with high concentrations of Native people (particularly rural areas). While this figure is striking, it is difficult to use this data to determine specifically how many qualified Native people living in those areas actually claimed the EITC.<sup>17</sup> Additional research suggests that the percentage of unclaimed credits is higher than average in many Native communities.<sup>18</sup> Based on an estimate of the high number of Native communities who

do not currently offer an EITC program or run a VITA site, it would be reasonable to conclude that the number of qualified Native families claiming the EITC is still dramatically low. Reasons for low receipt of the EITC in Native communities include: lack of understanding about eligibility for the credit, not finding out about the credit, fear of government control over personal finances, not filing federal income taxes, not hearing about the credit in one's own language, lack of access to tax preparers, and the high cost of tax preparation services.<sup>19</sup>

The last two reasons listed above may be the most significant ones for explaining why many Native families either don't claim their EITC, or why some claim the credit but don't realize the full financial benefits of claiming it. According to anecdotal information from Native EITC coordinators, many Native families living on Indian reservations must drive long distances to reach commercial tax preparers if there is no free or other tax preparation service available in their own communities. Even then, the commercial preparers used typically charge exorbitant fees for this service. A significant number of Native families may not have a frame of reference to determine whether or not the fees they are paying for tax preparation are high – since so many of their friends and relatives are paying the same high fees.

Nationally, percentages of EITC filers who use commercial tax preparers vary, but estimates range from at least one-half up to two-thirds. It is likely that many Native communities are found at the higher end of that spectrum, due to the absence of viable alternatives. Commercial preparers may charge well over \$100 in tax preparation and associated fees, often adding the cost of the popular refund anticipation loan (RAL), which allows electronic filers to receive an instant loan against the amount of their refund. The combined

costs associated with filing taxes in this way may eliminate half or more of the refund due to the filer. RALs can include annual percentage rates of up to 774 percent.<sup>20</sup> The occurrence of predatory preparers in or near Native communities is a particularly pressing problem.

These discouraging figures reflect the need to make VITA sites more readily available in Native communities. In 2006, 2.3 million people across the nation had their taxes prepared at volunteer-run sites, which speaks not only to the universal appeal of these arrangements, but also to the extraordinary amount of money freed up for families to use for personal expenses and/or savings.<sup>21</sup> These volunteer-staffed tax preparation sites may serve Native communities in several essential ways. Their importance in providing a venue through which Native families can claim and realize all of their much-needed EITC dollars is inestimable, but they can also provide a “teachable” moment for providing Native families with information about financial education opportunities, financial products, matched savings products (like IDAs), homeownership information, and so on. Volunteers at Native VITA sites tend to be members of the community, and may have been explicitly approved by trusted tribal and community leaders, which may make them more likely to be trusted with sensitive financial information. Also, local financial services personnel sometimes volunteer to work at Native-serving VITA sites to open checking and/or savings accounts for Native families getting their taxes prepared.

The number of Native-run EITC campaigns and VITA sites serving Native communities has grown from fewer than a dozen just a few years ago to around 50 in the 2006 tax filing year – with several more in the planning stages. These figures do not include sites run by non-

Native agencies or organizations that serve significant urban Native populations, or rural Native populations not living on reservations. With 562 federally recognized tribes and Alaska Native villages, a sizeable Native Hawaiian population, and many state-recognized and unrecognized tribes, however, this is still a small number. With additional funding assistance from public and private sources, there is great potential for these numbers to grow rapidly in the coming years.

The best recipe for success in putting EITC dollars in the hands of the Native families who need them may be to combine voluntary tax preparation services with aggressive EITC marketing campaigns, using materials that explain the EITC in a culturally specific way, using Native languages as appropriate. This may go a long way toward addressing concerns and increasing EITC filing among Native people. This strategy, combined with the effective practices (mentioned above) for assisting Native families in determining economically sound ways of using EITC dollars – particularly encouraging saving or investing at least part of the refund – could better assist in the development of powerful strategies to increase the economic strength of Native people and their communities. There are some innovative examples of the above practices taking place in Indian Country, and even though they are not yet the norm, these examples offer great potential for rapid improvement in this area.

### **Benefits and Challenges for Using EITC Refunds as Part of Savings and Investment Efforts in Native Communities**

The EITC was designed to give low-income and cash-strapped families much needed resources. President Clinton’s statement mentioned earlier in this chapter

indicates that the benefits and “encouragement” for EITC recipients would be gained from an increased ability to buy “big ticket” household or personal use items that they might not have been able to purchase otherwise. However, there is currently a considerable amount of discussion occurring, in both mainstream and Native EITC circles, about whether or not encouraging EITC dollars to be used to purchase big-ticket items, pay off debt, or pay for daily expenses are effective ways for low-income families to utilize their refunds. This is particularly true for asset-poor families, such as many Native families.

Many nonprofit economic development intermediary organizations, including Native intermediaries, are taking a broader look at the true benefit of the EITC, and see tremendous potential in families using EITC dollars to build assets (at least using part of the dollars received for this purpose). Those who file their taxes electronically in 2007 will be able to choose to deposit the returns in more than one financial account (splitting their refund deposit). Based on previous research, the question may not be whether or not qualified recipients of the EITC can save and invest the refund, but whether or not they will choose to do so, when offered encouragement, education, facilitation, and institutionalized opportunities for savings and investment to happen.<sup>22</sup>

Many VITA clients nationwide do recognize the value of saving. In 2005, of over 850 clients surveyed in one study, 49 percent agreed or strongly agreed with the statement: “I wish that when I had cash, I was better disciplined and saved it rather than spent it.”<sup>23</sup>

As we will show later in this chapter, in a study of Native EITC programs, 25 percent of the Native people surveyed stated that they intended to save at least

part of their EITC refund.<sup>24</sup> For those savings opportunities to be most effective for Native families, access to financial education, reasonably priced financial services, and other strategies (like IDAs) is critical. With the added option of split refunds in the 2007 tax filing year, tax time could provide Native families with an exceptional savings opportunity, and a mechanism that will allow them to commit to saving part of their refund.<sup>25</sup>

The main caution related to the opportunity for savings and investment of the EITC refund by low-income families is that EITC claimers who want to save but are also receiving public benefits may have to investigate whether or not their benefits would be negatively impacted. Many federal public benefits programs, such as Food Stamps, Medicaid, Supplementary Security Income (SSI), and TANF cash assistance, test assets owned when determining eligibility (or count any owned assets the applicant has against him or her). The definition of assets in these programs generally *excludes* equity in an owner-based home and personal possessions, but generally *includes* the value of cars and the balances of any money held in accessible financial accounts (cash available).

Under the 1996 welfare reform law, states are largely allowed to determine income and resource rules for most public benefits, including TANF, food stamps, SSI, and in some cases Medicaid, state children’s health insurance programs, and housing assistance. Employer-based retirement accounts may be protected, but generally IRAs are not. Asset tests for these means-tested programs can be complicated at both the federal and the state levels and vary from state to state and program to program.<sup>26</sup> EITC and other asset-building program implementers, especially Native leadership, must research and determine

what kinds of negative policy impacts savings, including those from EITC receipts, might have on families' benefits – and work to eliminate those impacts for their member families.

Savings in some asset-building programs for low-income people are protected by law from counting as assets (such as certain IDAs). However, savings from EITC refunds are not, and must be evaluated according to individual state rules as to whether or not saving all or part of an EITC refund will negatively affect claimants' public benefits. EITC receipt may be counted as income or assets or both, depending on how the state views it. However, as previously mentioned, the good news associated with this potential obstacle is that EITC savings for low-income families receiving public benefits would be protected if saved in certain IDAs.

In most states, the resource test (asset limits for benefits) is around \$2,000 to \$3,000 per applicant, which is very low. If there is additional money in a checking account, this would leave little leeway for families wishing to save even part of EITC refunds. A typical rule is that people receiving public benefits who also receive the EITC must spend the refund down in one to several months – typically not more than nine months, or it will count against a welfare recipient's benefits. These rules can deter a family from saving or investing all or part of their EITC benefits.<sup>27</sup>

Native families whose tribes receive tribal TANF grants to run their own TANF programs must check their tribal TANF rules to see what the income and resource eligibility rules are. Tribes can choose to impose different rules than the states they are located in, except for food assistance or Medicaid programs, which would still be determined by state and federal rules. Tribal govern-

ments have the opportunity to facilitate the savings and asset-building by their citizens through the innovative use of tribal TANF funds, and could reap significant benefits from doing so.

### Expanding EITC Outreach and Access in Native Communities

Many interested organizations, agencies, and groups across the country have joined the work of facilitating greater EITC receipt in Native communities. Many of these organizations – which include philanthropy, business, government, and nonprofits – have taken leadership roles in this effort, which has grown significantly in the past several years. If not for these dynamic and innovative entities, Native communities would not have the resources and access for developing and implementing EITC campaigns, programs, and VITA sites that they do today.

Philanthropies in particular have been responsible for a surge of efforts to create effective EITC campaigns, or promotional and marketing blitzes geared toward getting information about the EITC out to many communities. Although several major foundations have supported these efforts in a large way, receipt of the EITC in general would not be nearly as high as it is today if not for the ongoing work and dedication of the Annie E. Casey Foundation (AECF). AECF has made increased EITC receipt a key part of other family development and support initiatives, and a major philanthropic goal. The foundation has facilitated the creation of many activities, research projects, publications, and other promotional materials related to establishing and growing EITC programs, campaigns, and VITA sites for low-income families across the nation. AECF is a key funder of the



activities and product development of the Native Financial Education Coalition (NFEC).

Many key supporters of effective EITC outreach are members of NFEC. NFEC is a national coalition developed in 2000 and comprised of local, regional, and national organizations and government agencies working together to achieve the common goal of promoting financial education and asset-building activities and initiatives in Native communities. First Nations Oweesta Corporation, in Rapid City, South Dakota, serves as NFEC's fiscal agent, and employs a coordinator.<sup>28</sup>

NFEC, a prime outreach resource for information sharing related to the EITC, is supported by a range of private and public sector partners (including AECF), and creates and hosts an informational website on topics, including EITC. NFEC also facilitates a variety of opportunities for collaboration and information sharing on EITC through a listserv, conference calls, workshop presentations, and policy briefings.

The EITC Committee of NFEC is one of the five major committees of the coalition. The EITC Committee concentrates its efforts on both increasing the receipt of EITC in Native communities and better connecting EITC programs and campaigns to financial education and other asset-building initiatives. The committee numbers over 30 members who meet two to four times a year by conference call and work to develop and implement a yearly strategic plan for accomplishing their goals, which they present at an annual NFEC planning meeting. A retired IRS senior manager has been engaged as a part-time EITC committee facilitator by First Nations Oweesta Corporation.

NFEC's outreach efforts include promoting several Native-focused EITC campaign marketing tools, including a

consumer workbook and an EITC campaign guide (part of First Nations' *Building Native Communities* financial education curriculum, outlined in the financial education chapter of this report), all designed to encourage greater EITC receipt in Native communities. Many organizations and entities, such as First Nations Development Institute, First Nations Oweesta Corporation, the Center for Social Development, the Internal Revenue Service, the Federal Reserve Bank, and other government and nonprofit organizations have taken active roles in supporting the Coalition's EITC activities, and are key to the success of NFEC's outreach activities.

The IRS has become a vital partner in providing EITC outreach to Native communities. The IRS Office of Indian Tribal Governments, located in Washington, D.C., was established in 2000, and since then the service has centralized and conducted trainings to increase IRS staff awareness of the cultural and legal differences in Indian Country, in order to better facilitate the processing of tax returns and reduce the number of correspondence audits triggered. The IRS provides tax preparation training for volunteers, and provides software for tax preparation services, among other forms of assistance, for numerous VITA sites in Native communities. A number of individual IRS representatives have worked diligently to help Native communities create and promote successful EITC campaigns.

The Brookings Institution uses aggregate IRS tax data to help Native and non-Native organizations measure how their activities compare with the local market; to advocate support from public, private, and philanthropic sectors for increased levels of free tax assistance; to strategize about where new opportunities lie for adding/expanding services to low-income taxpayers; and to educate governments on the likely benefits of creating new policies to better support the EITC.<sup>29</sup>



There are many other successful EITC outreach and support efforts being executed in Native communities, but much more needs to be done in this area, and funding for these efforts is still insufficient. Tribal and state governments could partner with Native communities to better “get the word out” about EITC opportunities, and to increase access to free or low-cost tax preparation services in Native communities. Governments could support EITC outreach efforts by providing television and print advertisements, large facilities and computers for tax preparation sites, and refreshments and babysitting services for tax filers.

### Effective EITC Programs in Native Communities

Previously in this chapter, we noted that there are still relatively few EITC programs and VITA sites located in Native communities (American Indian reservations in particular). According to the Brookings Institution, the largest concentration of EITC filers in Indian Country for the 2000 tax filing year were in the Navajo Nation (19,496); Fort Yuma, Arizona (7,140); Tohono O’odham-Pascua Yaqui, Arizona (4,458); Gila River, Arizona (3,228); Fort Apache, Arizona (2,772); and the Nambe-Pojoaque-San Ildefonso-Tewque Pueblos, New Mexico (2,419).<sup>30</sup>

Data from a number of other regions that encompass many Native communities, and included an estimated 65,000 Native EITC claimants in Arizona, Colorado, New Mexico, and Texas, demonstrated that over half of EITC filers received their refund in the form of a loan.<sup>31</sup> These numbers demonstrate the need for more effective EITC campaigns in Native communities that educate consumers on free and low-cost filing alternatives and increased support on the part of tribal and other governments, private philanthropy, and business for expanded

access to Native VITA sites and/or reasonably-priced tax preparation services.

Even in the face of this considerable need for improvement, a number of Native-implemented EITC/VITA initiatives have shown great promise in identifying effective practices and establishing and implementing well-utilized EITC programs and VITA sites in Native communities. Tribes can also partner with other organizations to provide VITA services to tribal members. When IRS resources for training new volunteers are scarce, territory offices may refer interested organizations and tribes to established VITA providers for the purpose of developing partnerships. One successful instance of this happening is the Oklahoma Indian Legal Services, which acted in that capacity for the Citizen Potawatomi Nation, when they were interested in starting a site.

The EITC programs and VITA sites described below have already developed effective characteristics that make them good candidates for replication across Indian Country. We chose to highlight these particular sites by the merit of their longevity or potential longevity, innovation, and dedication to increasing EITC receipt and asset-building opportunities in their communities over time. The sites described are partners in the Native EITC research study described later in this chapter, and are all located in states that have a high Native population.

These examples of EITC efforts being implemented in Native communities are both innovative and representative, but by no means unique. New Native EITC programs and VITA sites are being organized at a promising rate; however, much more participation is needed, and many more Native-run EITC campaigns and VITA sites could be implemented and utilized if tribal, state, and federal governments, philanthropy, business, and other entities and organizations stepped up to the plate

and supplied more of the resources necessary to create and implement these effective economic mechanisms. Research on the benefits of the EITC in Native com-

munities may be one of the key factors in bringing these much-needed resources to the table.

### White Earth Reservation (White Earth, Minnesota)

The White Earth Reservation was created in 1867 by a treaty between the United States and the Mississippi Band of Chippewa Indians, and is one of seven Ojibwe (also known as Ashinabe or Chippewa) reservations in Minnesota. Chippewa is one of the 10 largest American Indian tribes in the United States, with a total population (in all bands and tribes) of around 150,000. The reservation encompasses about 1300 square miles of land, most of which is not currently owned by the tribe due to allotment and tax forfeiture losses in the early 20th century (only about 10 percent is tribally owned). Tribally owned land is mostly located in Becker, Clearwater, and Mahnomon counties in north-central Minnesota, with 3378 members living there as of the 2000 Census (total White Earth tribal enrollment is 20,225). Average annual income as of January 1997 was only \$4,817, and unemployment averaged about 25 percent.

More than half of the taxpayers in one ZIP code on the White Earth Reservation claimed the EITC in 2004, but more than three quarters of those families lost much-needed dollars to paid tax preparation services and refund anticipation loans (RALs). In aggregate, more than \$22,000 in EITC funds were diverted to paid tax preparers from these low- to moderate-wage families. This statistic is made even more disturbing by the fact that the poverty rate in the community is 30 percent.

Local community organizations began working together to provide families an alternative for the 2005 tax filing season. In partnership with the AARP Tax-Aide site at Mahube Community Council in Detroit Lakes, the Midwest Minnesota Community Development Corporation (MMCDC) trained volunteers to provide free tax assistance several times per week at additional locations on the reservation, including the Shooting Star Casino, Hotel and Event Center, tribal headquarters, and a number of remote tribal locations – attempting to serve the whole reservation. Many of the volunteers are Native people who work and/or live on the reservation. A week before the casino workers' W-2s were issued, MMCDC included an advertisement for their free tax services in the workers' paychecks. The free assistance began the following Monday, the same day the W-2s were issued.

Some homes on the reservation are in remote areas, making it difficult for families to get to the city or the casino. To reach these families, MMCDC is hoping (for the 2006 tax filing season) to use the tribal child care program's new bookmobile to bring trained volunteers to all five of the remote villages on the reservation at least once during the tax season. The children of filers receive a free book for using the bookmobile while their parents get their taxes prepared. The tribe and MMCDC's long-term goal is to work with additional partners to develop an alternative RAL product along with a more seamless asset-building delivery system of tax aid, financial literacy training, credit awareness and debt repair promotion, and individual development accounts.<sup>32</sup>

The 2005 initiative was an important first effort for the tribe, and created the added interest in a variety of asset-building initiatives among tribal members and leaders. This effort is a good example of an effective and cooperative partnership between the tribe and local non-Native nonprofit organizations.

### Chief Dull Knife College (Lame Deer, Montana)

Consumer Credit Counseling Services of Montana, Inc. (CCCS) supported six Volunteer Income Tax Assistance (VITA) sites in north-central Montana, beginning February 1, 2005. In partnership with CCCS, American Indian reservation VITA sites were co-sponsored by Chief Dull Knife College (Northern Cheyenne Reservation), Blackfeet Community College (Blackfeet Reservation), Stone Child College (Rocky Boy Indian Reservation), and Fort Belknap Community College (Fort Belknap Reservation). One mobile VITA site traveled to various locations throughout the Great Falls area, and likely served a significant number of Native people. All VITA sites offer low-income families free federal tax preparation and filing. This EITC initiative was the second for CCCS, but the first in partnership with American Indian tribes — last year, CCCS served only two locations in Great Falls.

Chief Dull Knife College (CDKC) is a two-year American Indian land grant college located on the Northern Cheyenne Reservation in Lame Deer, Montana. CDKC has an active extension service, and was uniquely prepared for success with its premier EITC initiative and partnership with CCCS in 2006. As part of a financial education initiative the CDKC extension service instituted just a few years earlier (sponsored by the NFEC committee on tribal colleges and universities, and featured in NFEC's 2005 annual report), a forum had been provided for CDKC and several other tribal colleges across the country to network and coordinate efforts toward developing and implementing financial education curricula and community-based financial education programs.

CDKC experienced great success with the pilot financial education initiative, which set the stage for an equally successful effort to offer free tax preparation services to the community. Consumer Credit Counseling Services of Montana, First Interstate Bancsystem, and the Federal Reserve Bank of Minneapolis collaborated in this unique partnership intended to develop a consumer credit counseling accreditation curriculum for tribal colleges as well as to bring much needed consumer credit counseling services into tribal communities. The hope is that the financial education pilot program will serve as a model that can be rolled out to tribal colleges across the country, with the support of various NFEC members.

Using tribal members as tax preparation volunteers, CDKC's extension service continued its mission to bring culturally appropriate asset-building programs and services to their Northern Cheyenne community. The financial education and EITC program initiatives are seen as solid steps in a plan to eventually add such asset-building tools and products as an IDA program, and perhaps a CDFI, into the community. CDKC's experience demonstrates the effectiveness of innovative and collaborative partnership between Native and non-Native nonprofit and community-based organizations. The CDKC EITC site director was pleased with the first year results, and with this new experience under its belt, CDKC extension service sees potential for serving many more tribal members next year.



## Tanana Chiefs Conference (Fairbanks, Alaska)

Tanana Chiefs Conference (TCC), located in Fairbanks, Alaska, is a traditional tribal consortium, representing a service area of 42 Athabascan Villages of interior Alaska. The organization is based on a belief in tribal self-determination and the need for regional Native unity. TCC offers a variety of services and develops and implements many social service and economic development programs for the tribes, and over the last several years has also committed considerable efforts to helping Alaska Natives build and preserve assets. TCC works with Alaska Natives in some of the most remote areas of the state.

Tanana Chiefs Conference's Athabascan Self-Sufficiency Assistance Partnership Program (ASAP) includes TCC's entire service area in the Doyon region of interior Alaska. This program serves all families in which the head of the household is Alaska Native or American Indian. ASAP began operation in October 1998, and in FY 2004 served an average of 315 families per month. Services provided by the ASAP program focus on job preparation and development and include on-the-job training, short-term job training, counseling and skill building, help with child care expenses, referrals for paid employment, referrals for community work services, structured job searches to teach specific job search skills, transitional services including child care assistance and post-employment services, GED or high school instruction, vocational training, and higher education. Significantly, one of the additional services offered to families includes financial literacy training, and in 2005 an EITC component was added, to help families realize all of their earning potential and consider reserving a portion of their tax refund for savings and investment.

The ASAP program focuses initially on job placement, so that clients qualify for the EITC. TCC created a one-stop service center in each of the village council offices. This model of service coordination promotes a holistic focus on family needs and allows TCC to deliver a variety of services efficiently and effectively. Prior to the transition to the one-stop service centers, there was a 0 percent overall work participation rate for village-based TANF recipients. Now, the ASAP program has met its work participation requirements, assisting families in getting jobs, offering opportunities for training, and matching parents with specialized resources, while also helping families to claim all the money due and available to them at tax time.

ASAP's EITC component helped 774 recipients apply for the EITC on their tax returns for the 2004 tax filing year, with approximately \$570,000 realized in EITC refunds. During the 2005 tax filing year, TCC increased those numbers and offered EITC tax preparation seminars through a renewed contract with Alaska Business Development Center (ABDC), in conjunction with the University of Alaska. TCC provides resources to ABDC that support university students who prepare taxes for Native people in remote villages. The students are excited to do the work, vying for the chance to visit the villages, and the villagers enjoy having them as guests during tax season. This EITC initiative illustrates how to develop effective collaborations and partnerships between Native and non-Native nonprofit organizations.

Not only does TCC work to develop an effective EITC campaign and broad asset-building strategy for the Native people the organization serves, but it has also joined a new and even larger initiative to increase and encourage state and tribal government participation in developing and supporting a statewide asset-building agenda for Alaska. Both the tribal and state government asset-building efforts promote increased availability of CDFIs, IDAs, financial education, and free tax preparation, among other assets initiatives in Alaska.

### Inter Tribal Council of Arizona (Phoenix, Arizona)

The Inter Tribal Council of Arizona (ITCA) launched a VITA site in 2005 as part of the City of Phoenix's EITC campaign. It was open on Saturdays during tax season at the ITCA office from 8 a.m. until noon, and it publicized its services to Native organizations in the Phoenix area. In 2006 ITCA expanded its program by 1) deploying teams of volunteers at three mobile VITA sites to prepare taxes in several reservation communities throughout Arizona, 2) assisting communities to establish their own VITA sites, and 3) providing training and materials on financial education.

The City of Phoenix wanted to expand its outreach efforts in tribal communities (for the 2005 tax filing year), and ITCA wanted to expand the receipt of EITC in the tribes it serves, which was a natural fit. ITCA agreed to partner with the city's coalition, and was able to utilize its network of Native and tribal organizations to reach out to key contacts in each tribe and reservation. The city coalition partnership allowed ITCA to provide space for its VITA sites and to develop more extensive education and training strategies. In the 2005 tax filing year, the city coalition and ITCA helped 120 Native families file returns resulting in refunds totaling \$160,000. In 2006, the most current tax filing year, through this creative and effective urban/rural Native partnership, ITCA served 216 tax filers, and was able to bring in \$275,713 in EITC receipts to its member tribes.

This program shows both the success of a multi-tribal effort and the potential for effective Native/non-Native collaboration, drawing many Native communities around a cause that is beneficial to all low-income families in the area. ITCA is encouraging its member tribes to expand supported asset-building initiatives to include greater financial education efforts and IDAs in the 2006 tax filing year and beyond.

### Recent EITC Research in Indian Country

A body of research on the effects of asset-building efforts in Native communities, and the potential for future asset-building efforts, is being completed by both researchers and Native communities themselves. However, much more knowledge in this area is needed, particularly of the effects of EITC receipt on Native families and communities. The important information gained from such research could inform communities on the integration of EITC, free or low-cost tax preparation services, and other asset-building initiatives.

A recent study completed during the 2005 tax year by the Kathryn M. Buder Center for American Indian

Studies (BCAIS) and the Center for Social Development (CSD) at Washington University in St. Louis engaged 10 VITA sites serving both reservation and urban communities across the country in determining the potential financial and economic impacts of the EITC on Native individuals, families, and communities. These VITA sites were housed in a variety of locations, including housing authorities, tribal colleges, tribal business centers, and community-based nonprofit organizations. The following 10 Native





community sites participated in the project:

Native Community	State(s) Served
Cherokee Nation of Oklahoma	OK
Cheyenne River Lakota Nation Tribal Business Information Center	SD
Consumer Credit Counseling Service of Montana	MT
Inter Tribal Council of Arizona	AZ
Lac Courte Oreilles Ojibwe Community College	WI
Midwest Minnesota Community Development Corporation	MN
Navajo Partnership for Housing	AZ, NM
Red Cliff Housing Authority	WI
Tanana Chiefs Conference, in partnership with Alaska Business Development Center	AK
Tohono O’odham Nation	AZ

These sites worked with the research team to gain a better understanding of how VITA sites and the EITC might assist in transforming their communities both through meeting broad economic development goals and assisting citizens in efforts to build and leverage appreciable assets. In particular, the work recorded the amount of money acquired by Native people through EITC receipt at VITA sites, and examined their plans for EITC and other tax return income.

Preliminary analysis completed on the data collected for this study and further analysis of the data will result in a number of reports that address both broad Native community development concerns and more focused issues related to EITC receipt and use in Native communities.

Many of the findings in this chapter may bear further study, but the authors see the preliminary results from data analysis as key to any significant discussion of the impact of EITC receipt in Native communities.

The results of this study provide insights into the kinds of infrastructure and programs that support the acquisition and retention of the EITC and other tax dollars for the benefit of Native families and entire communities. The need for the work was originally identified and promoted by the Native Financial Education Coalition EITC Committee, and the study was accomplished with support from the Annie E. Casey Foundation, First Nations Development Institute, and the Center for Social Development.

The research project, which includes questions related to assets and asset-building, was conducted in collaboration with the Native communities who participated. It was integral to the project that participating VITA site coordinators be actively involved in the research process. VITA site coordinators helped to develop a number of survey questions that addressed the types of information they hoped would assist their communities and benefit community members. Many of the participating VITA site coordinators are also Native community members who became active participants in the research process, including interpretation of the results.

The number of years the VITA sites in this study have been operational varies and has some bearing on the number of returns prepared for the 2005 tax year. 2005 was the first year of operation for two of the VITA sites, while five sites have been operational for two tax years, one site for three tax years, and two sites have been operational for five tax years or more. In total, for tax year 2005, these communities prepared 9,746 tax

returns with a total of \$3,340,721 EITC dollars claimed, and \$7,819,102 in total tax refunds claimed by families. One site's total refund amount has not been captured

at the time of publication, but is planned to be included in later reports on this data. The following chart outlines the basic VITA statistics by site:

VITA Site	# of Years in Operation	# of Returns Prepared 2005	Federal EITC \$ Claimed 2005	Total Refund \$ Claimed 2005
Tanana Chiefs Conference/ Alaska Business Development Center	2*	3,016	\$1,590,414	\$3,699,627
Cherokee Nation	6	1,333	\$468,599	\$1,142,729
Cheyenne River Lakota Nation Tribal Business Information Center	3*	269	\$131,756	\$369,409
Consumer Credit Counseling Service of Montana	2	3,900	\$679,547	\$1,508,008
Inter Tribal Council of Arizona	2	260	\$111,745	\$275,713
Lac Courtes Oreilles Ojibwa College	2	169	\$86,831	\$194,298
Midwest Minnesota Community Development Corporation	1	201	\$157,931	\$322,249
Navajo Partnership for Housing	1	141	\$81,921	\$158,373
Red Cliff Housing Authority	2	77	\$31,977	\$74,348
Tohono O'odham Nation	5*	380	**	**
<b>TOTALS</b>		<b>9,746</b>	<b>\$3,340,721</b>	<b>\$7,819,102</b>

\*These sites have been providing tax preparation services for over six years, but have only been "official" VITA sites for the number of years indicated. Becoming an official VITA site connects sites to IRS training and additional resources, which make it possible for them to reach out to more community members.

\*\*no data available

## Using Community-driven Surveys to Gather Data: Key Findings

Surveys were developed for each site with community input, including a set of core questions developed by researchers to be asked across all communities. In order to capture the unique aspects of the participating VITA/EITC campaigns, VITA site coordinators in each community were given the option of developing individualized questions for their surveys. Researchers then incorporated selected questions into the site surveys for each particular community. A number of core study questions (those questions that were required across all sites) queried demographics and assessed outreach and implementation issues associated with VITA sites. Core study questions included the following:

- Race or ethnicity
- Gender
- Tribal membership
- Language spoken in customers' home
- Where customers had their taxes prepared last year
- Where customers heard about the VITA site/service
- Banked v. unbanked (whether they had any type of banking account)
- Receipt of public benefits during 2005
- How customers planned to use their EITC/tax refund
- Participation in financial education classes
- Interest in asset-building activities

A number of VITA site coordinators chose to include community-specific questions that focused on the link between receipt of EITC/tax refunds and asset-building interests, activities, and initiatives in their community. Community-specific questions gathered information on such topics as:

- Customers' prior experience or current interest in financial education or homeownership programs
- Whether or not customers own homes and, if so, whether or not the homes are on tribal land
- Identifying barriers to homeownership
- Using tax refunds for purposes related to subsistence economies

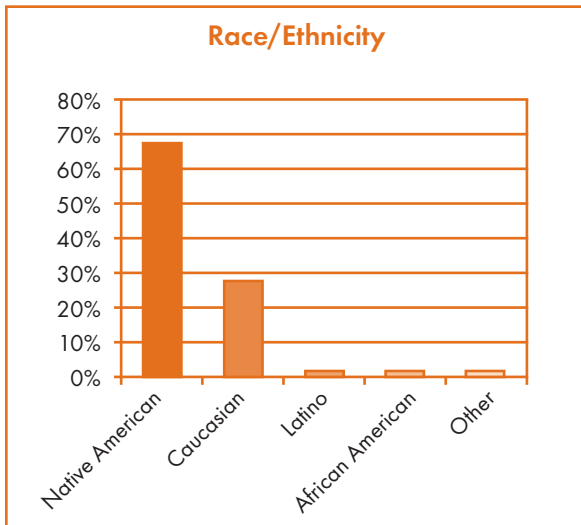
Community surveys were administered during tax preparation hours at each of the 10 VITA sites. Customers were assured that their participation in the study, (completion of the surveys) was voluntary and that the information they provided would be kept strictly confidential. They were also assured that their decision to complete the survey would not in any way impact their tax preparation services, or the actual tax documents filed for them. Some key findings of the surveys, organized into major topic areas are included below.

### ***1. Native People are Being Served***

Demographics were gathered to inform site coordinators and tribes of their customer base – not only who was being served, but also to identify groups of customers who are not being reached and who may require more targeted outreach and education. These messages may differ based on the target audience. For example, families with children may want more information regarding the definition of a qualifying child, an elder may appreciate specific information about tax credits for the elderly, and persons who speak a primary language other than English may be more likely to utilize services offered in their Native language. Key demographics from this study are described below.



**Race/Ethnicity.** Most of the sites participating in this study focused on serving Native community members, but were also open to serving anyone in the community who wanted to use free tax preparation services. A total of 2,700 surveys were collected by 10 VITA sites. Of this total, 1,781 respondents (67.85 percent) were Native American/Alaska Native with a significant number of these respondents from Alaska (n=970). Other races/ethnicities served include: Caucasian (27.58 percent), Latino (1.3 percent), and African American (0.8 percent).



The results presented below represent findings for the pool of Native respondents only, unless otherwise noted.

**Tribal Enrollment.** VITA sites serving Native communities, particularly reservation communities, were especially interested in knowing how many enrolled tribal members were being served. Of Native respondents, 89.3 percent indicated that they are enrolled tribal members. This information may assist VITA site coordinators and Native leaders in determining if they are serving the

economic development and asset-building needs of their membership, and what type of related initiatives their membership want to participate in.

**Gender.** Relatively equal numbers of male (50.52 percent) and female (49.48 percent) customers were served at each site. This finding is contrary to some previous VITA site research findings that show the individuals most likely to use VITA sites are female heads of households. Though this data is not conclusive, the findings could indicate that Native-serving VITA sites are (or are becoming) more equally utilized by male and female heads of households in the community than those serving non-Native communities.

**Language.** In an effort to create a welcoming environment accessible to all community members, site coordinators were interested in learning the primary languages spoken by their customer base. In this study, 58.66 percent of Native respondents (n=1,616) indicated that English is the primary language spoken at home, while 27.02 percent of Native respondents indicated that they speak a Native language at home, either as their sole language or in conjunction with English. It is important to note that a large percentage of respondents come from sites in Alaska Native villages and the Navajo Nation, both of which have high percentages of Native language speakers. Finding a substantial percentage of homes with Native language speakers suggests that site coordinators should consider designing outreach and education materials or campaigns in languages most commonly spoken in their communities. Especially since a notable portion of respondents (21.62 percent)



heard about the VITA site via posters or the newspaper, designing outreach materials that customers can more readily identify with might increase VITA participation and EITC receipt.

Another important consideration regarding language is the possible indication that elders constitute a significant portion of VITA customers, as they are most often the community members who speak their Native language. This study did not collect age demographics, so conclusions cannot be definitively made in this regard, but if this is the case, outreach to elders may be an ideal opportunity to focus on tax issues specific to them, while using tax preparation time to also offer outreach related to other programs and areas of interest to this segment of the population. The role of elders as respected community members with substantial influence on subsequent generations may offer an additional benefit in attracting their children and grandchildren to elder-friendly VITA sites.

*Education.* Research suggests a strong relationship between educational attainment, income, and financial stability, often finding that people with lower education levels (high school diploma, GED, or below) are more likely to be lower-income, and therefore more likely to be eligible for EITC. Results from this study indicate that Native-focused VITA sites are serving a significant number of such individuals. Education levels within this sample include 20.08 percent of respondents with less than a high school education and 68.22 percent of respondents who are high school graduates (includes individuals with high school equivalency), with no post-secondary education.

*Public Benefit Recipients.* Of the Native population surveyed, approximately 25 percent indicated that

they received or qualified for public benefits in 2005. The type of benefit varied by location and included programs such as Temporary Assistance for Needy Families (TANF), health care insurance such as Medicaid or Medicare, job training and placement assistance, general assistance, and Social Security. The intersection of public benefits and EITC receipt for qualifying families is important for Native leaders to consider when developing asset-building programs, because many welfare programs continue to have asset and income tests.

## **2. Free Tax Preparation Services Lead to Significant EITC Receipt**

The primary purpose of establishing VITA sites in Native communities is to offer a free, much-needed service to working families and individuals that not only assists them in meeting their tax filing obligation, but also facilitates the receipt of eligible tax refunds so that more of their hard-earned dollars might be retained by Native families and individuals (avoiding losses to refund anticipation loans and other fees). The high number of enrolled tribal members filing, in addition to several other factors such as the number of public benefit recipients (25 percent of total filers), persons with no more than a high school education or equivalency (88.3 percent of total), and those who are “unbanked” (11.74 percent of total), provides important evidence that VITA sites are reaching target populations for EITC receipt. Yet, as mentioned previously in this chapter, even though the EITC provides a substantial economic boost to low-income working individuals and families, it is estimated that 25 percent of eligible workers do not claim the EITC largely due to a lack of awareness of their eligibility to do so.<sup>33</sup>

Educational and outreach efforts related to VITA campaigns nationwide are beginning to reduce the number of unclaimed tax credits. Some positive impacts of these efforts were illustrated in this study. The percentage of customers who had not filed in the prior tax year (14.66 percent) is consistent with national data on low-income filers (12 percent).<sup>34</sup> The Brookings Institution (2006) suggests that rather than trying to estimate the number of non-filers in a community, local leaders should instead focus on increasing the number of workers filing claims by 5 percent each year. This is a more manageable goal that will still yield significant results for local workers as well as the local economy. The Brookings Institution offers guidance for such an approach and community level EITC data by ZIP code, on their website.<sup>35</sup>

Approximately half of the respondents (50.18 percent) had utilized the same VITA site in the previous tax year, while 43.98 percent had not used VITA site services in the previous year. Of those who had not used VITA site services, approximately 15 percent had not filed taxes in the previous year and an additional 15 percent had paid a tax preparer. The number of return customers is typical of the increase in service utilization seen by VITA coordinators from year to year (often doubling in size, particularly from the first year to the second) and indicates a significant increase in VITA site users. But the number of new filers was much higher than the 5 percent increase defined as “significant” by Brookings. This supports the assumption of many advocates that not filing for the EITC is even more common in Native communities and that low-cost tax preparation is a much-needed service. These numbers also indicate that tribes are utilizing EITC and VITA programs to build positive relationships with their members and communicate the message that they can end up with even more money if they do not pay exorbitant fees for tax preparation services. Site

coordinators shared stories of customers who stated they did not know they had to file taxes, indicating a need for greater community education regarding tax filing rules and options. The fact that so many previous non-filers submitted their tax returns through VITA sites indicates that well-publicized and trusted sites may provide critical venues for a large number of Native people who would not otherwise file their taxes.

The experience of many low-income tax filers, who give up a significant portion of their tax return dollars to pay for commercial tax preparation services, is especially true for Native filers where there is a lack of free or low-cost tax preparation services in or near their communities. The main goals of Native VITA campaign leaders include both creating new filing opportunities for people in their communities and reducing transaction costs associated with filing taxes. The free filing service that Native-serving VITA sites offer provides significant savings to low-income working Native families – money that can be put both toward needed expenses and building assets. In addition to these primary goals, there is also great potential for these dollars to be returned to, and support, local economies. Of the respondents in this study, a significant number (14.66 percent) used commercial tax preparers in the previous tax year, paying fees in amounts ranging from \$20 to \$500 (with an average payment of approximately \$100). These findings translate into substantial savings for Native individuals and families who are now using VITA services. Despite these savings, many customers may still go to commercial preparers if they believe they will receive their refund faster. A majority (73 percent) of respondents in this study indicated that it was important to them to receive their refund quickly. For some, the eagerness to receive their



refund quickly is related to the need to pay off overdue bills. Anecdotal data suggest another motivation for use of commercial tax preparers from outside the community is concern over the privacy of financial data. Both of these concerns could be addressed by effective marketing. Native EITC campaign coordinators may want to consider focusing marketing materials to stress the significantly short turnaround time for electronic tax filing at VITA sites (particularly through direct deposit) and communicate the steps taken to protect tax filers' privacy.

### **3. The Availability and Utilization of Financial Services in Native Communities is Poor**

Having a relationship with a trusted financial institution may help to facilitate asset-building activities for Native people. This study explored what portion of Native community members are banked – meaning that they utilize mainstream financial services through an existing transaction account, such as a checking account, savings account, or both. It also sought to learn the unbanked rate among Native community members and learn more about what alternative financial services they may be using. The results were surprising. In this study, 88.26 percent of Native respondents compared to 46.21 percent of non-Native respondents (n=2,416) indicated that they own at least one type of transaction account, many of whom own both checking and savings accounts. The percentage of banked clients was fairly consistent across all communities with an average banked rate of 71 percent.

Though it is encouraging that such a high percentage of customers have bank accounts, this still leaves a significant percentage of customers with no type of bank

account. Of those with no transaction account, most indicated that “poor credit” was the reason. Another possible reason why there is a relatively high rate of unbanked individuals is that in many of the reservation communities, financial services such as a bank are not available in the community and are a considerable distance away from the reservation. One interesting finding may relate to this issue: 88.26 percent of Native respondents indicated that they have bank accounts but only 66.97 percent indicate that they use a bank to cash their paychecks. This finding indicates that respondents have some familiarity with mainstream financial institutions (and may even have or have recently had an account in one or more), but that barriers may exist to using their accounts. One barrier may simply be geographic isolation. More information is needed in order to determine why such a discrepancy in these two findings exists, and what types of financial services and products would be most useful in Native communities.

In communities where there are no commercial banking institutions, customers are forced to use alternate financial services, many of which charge fees that are moderately or extremely higher than accepted norms. The lack of mainstream financial services was evident in the Native communities in this study. In fact, the most common venue for check cashing was a local store (77.55 percent), with additional non-traditional financial institutions including pawn shops (20.27 percent) and check-cashing businesses (13.41 percent). While respondents could choose more than one location, and 66.97 percent did utilize the bank, in many Native communities the only commercial business available may be local store – including grocery stores, gas stations, and/or convenience stores. These businesses often charge significant fees for cashing checks, or fees that add up to significant outlays of money over time.

These findings are particularly important for Native communities that are considering developing or modifying asset-building strategies and/or community economic development plans. The above results speak to the need for financial education, credit repair classes, and greater availability of mainstream financial services (or reasonably-priced alternative financial services) in Native communities. An important advantage of having a bank or other financial transaction account is the ability to use direct deposit for receipt of the EITC and other tax return dollars. Ownership of a financial transaction account will become even more important beginning with tax filing year 2006, since the opportunity to split refunds between different types of accounts will be available, but only through direct deposit of funds.<sup>36</sup> This financial mechanism makes saving easier and, therefore, more likely.

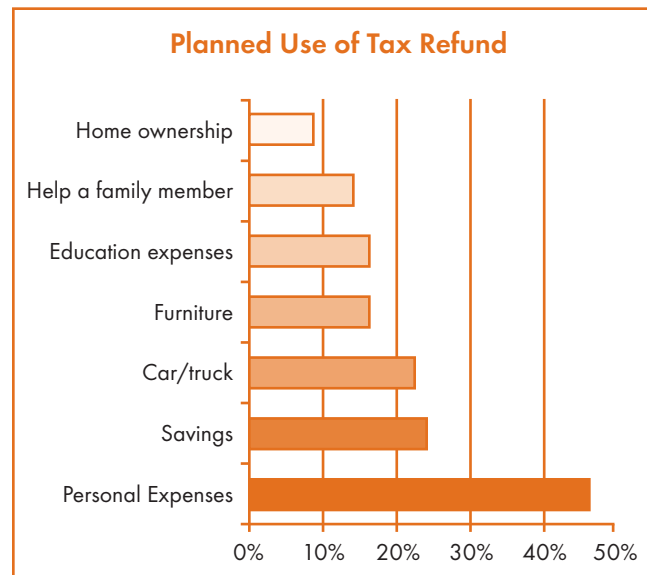
#### 4. Linking EITC to Other Asset-building Initiatives

Native communities face unique challenges to economic development, including low educational attainment, high unemployment rates, and limited access to mainstream or other reasonably-priced financial institutions. Native leaders are increasingly realizing the potential benefit of linking EITC and asset-building strategies to improve the financial security of households in their communities. Helping families to gain some much-needed funds and use them to accumulate assets has the potential to improve the overall economic health of entire communities. In order to gauge community need and interest in asset-building activities, this study examined ways that community members intended to use their tax refund; what they have saved for in the past; their participation in asset-related classes such as financial education,

credit repair, and homeownership; and their interest in these types of activities and programs.

#### 5. Planned Use of Tax Refund by Native Respondents

To better understand how the EITC will help working individuals and families in Native communities, filers were asked how they planned to use their tax refund. The graph below illustrates intended uses.



Although personal expenses was an expected use, we must keep in mind that the intent of the original EITC legislation was to give people additional income to meet household expenses, and this has remained a major reason for its ongoing support for many years. Despite this, intentions for using EITC refunds for savings and asset-building opportunities are beginning to surface more and more in these types of studies. A notable percentage of EITC recipients in this study (25 percent) hope



to save at least a portion of their tax return dollars. However, it may be difficult for many Native individuals and families to actually achieve this goal, as there is often a limited amount of discretionary funds available within low-income households, and families often perceive savings as something that is beyond their reach. This saving challenge is made clearer by considering the large number of respondents (45.99 percent) who indicated that they planned to use their tax refund for “personal expenses.” This question was not defined in the survey, but respondents indicated that they would need to use their tax refund for basic consumption needs such as groceries, rent, utilities, children’s clothing, and other monthly expenses. Tax refund dollars also serve as a buffer for emergency expenses such as car repairs and medical bills that exceed insurance copayments, or are used in lieu of insurance – also indicating, however, an existing faculty for at least short-term savings.

Even when tax filers in the study did not need to use the refund dollars for basic needs, they indicated that they were setting aside refunds for several consumable products that some might argue are necessities. These consumable goods may include the purchase of a vehicle (21.84 percent). The purchase of a vehicle may be a particularly important asset to the self-sufficiency of working families and the related economic development of communities.<sup>37</sup> Vehicle ownership is critical in gaining and sustaining employment, especially for those living in remote communities without access to public transportation, such as reservations.<sup>38</sup> Other consumable goods such as furniture (16 percent), especially if purchased from Native businesses, could stimulate the local tribal economy. In this study, fewer respondents indicated their intention to put the refund dollars toward the purchase of a home (9 percent). Investment in education may pose a

significant strain on the economic circumstances of low-income, working families, making the significant number of respondents planning to use their tax refund for educational expenses for themselves or a family member (16.16 percent) a phenomenon worth further study.

In order to build successful local economies, it is important to match strategies to the cultural context for which they will be applied. In this study, an important example of this emerged from the villages of Alaska. Seventy-three percent of respondents from Alaska indicated that they plan to use at least half of their tax refund for subsistence items such as chainsaws, fishing supplies, and hunting equipment. An additional cultural consideration is that in many Native communities, family members (and often close friends) may pool their resources in order to meet financial needs. In this study, 13.72 percent of respondents planned to use their tax refund to help a family member. This use could have particular cultural resonance with Native communities in the Pacific Northwest, as Dr. Eddie Brown, former Assistant Secretary of Indian Affairs and Director of American Indian Studies at Arizona State University, observes:

*In traditional American Indian cultures, assets are given away. Think about ceremonies, like potlatches or give-aways at powwows. Sharing and reciprocity are important. The whole point of possessing assets is that one can use and share them. Status and power are derived from the ability to share and to provide others in the community with the resources that they need. The pride of acquiring something is being able to give it away.<sup>39</sup>*

Though EITC dollars may be used to help make ends meet for a number of working individuals and families, it is also evident from this study that a substantial portion

of them are interested in building assets and making financial decisions that move them in that direction.

### **6. EITC Receipt and Links to Asset-building Programs**

The infusion of EITC dollars into the local economy can contribute not only to the economic stability of individuals and families, but may lead to asset accumulation for the long-term financial security of the whole community. Offering ways to leverage EITC refund dollars through programs such as individual development accounts (IDAs) may also help Native workers fulfill their saving and investment goals, while creating stronger communities.

Individual Development Accounts (IDAs) have proven to be a viable asset-building strategy for low-income families across the United States.<sup>40</sup> With increased outreach and education, IDAs are yielding positive results in Native communities. A majority of the communities in this study do not yet have IDA programs but wanted to assess community interest in such a program. The community survey presented a short description of an IDA and asked if survey respondents would be interested in participating in an IDA program if one were available in their community. Though only 10.22 percent of respondents had heard of IDAs, 73.61 percent of survey respondents expressed interest in establishing IDAs if the opportunity were available in their community.

### **7. Native Participation in Financial Education and Financial Literacy Programs**

Financial management skills have been shown to be a significant factor in attaining financial security and

accumulating assets.<sup>41</sup> One indicator of financial skills is whether an individual has participated in classes or workshops on financial topics. In order to gain a better understanding of the levels of financial education and literacy in the participant communities, survey respondents were asked if they had ever participated in classes that dealt with financial management skills or asset-focused topics (like homebuyer education). The highest percentage of respondents (18.24 percent) had participated in classes that addressed credit repair, whereas 9.67 percent had received some form of basic education on personal financial management, and 11.11 percent of respondents had received some training related to homeownership issues. The higher response rate indicating credit repair education may reflect the fact that approximately 34.81 percent of respondents received their free tax preparation assistance through an organization that also provides consumer credit counseling services. Though it is encouraging that low-income working individuals are utilizing some form of financial education, approximately 60 percent of respondents did not indicate receipt of any form of financial education. The increased prevalence of predatory financial services in Native communities underlines the need for financial education about the potentially damaging effects of using such services. Integrating financial education into EITC and VITA programs may be an important strategy to reduce, and ultimately prevent, the presence of predatory lenders in Native communities. In this study, participation rates in financial management classes are much higher in communities that offer IDA programs or financial services through a community development financial institution (CDFI), than in communities without this infrastructure in place. This may be due to the fact that such programs often require financial education classes in order to participate. However, their mere existence may encourage community members to increase

their financial knowledge as successful participants share their stories with family and friends and can point them to an accessible and trusted community service.

If financial management skills are developed using financial education curricula that include information on tax filing rights and responsibilities, consumers may gain an increased awareness of the EITC and other tax credits available to them, providing them with the necessary skills, knowledge, and resources to claim what they have earned. Financial education related to predatory lending and the real costs associated with refund anticipation loans may also reduce the use of such services and products, allowing Native earners to keep more of their hard-earned dollars and encouraging them to put a portion of their refund toward asset-building goals.

### **8. Community Needs**

VITA site coordinators in the communities that participated in this study were interested in developing asset-building programs that would leverage the EITC dollars their customers received. In addition to questions about EITC and general asset building, survey respondents were queried about other types of asset-related information they might like to receive. Respondents were most interested in information about buying a home (36.32 percent). They also indicated a strong interest in learning more about purchasing a car/truck (33.85 percent), budgeting (23.27 percent), small business development (21.59 percent), children's savings accounts (21.16 percent), credit/debit cards (16.85 percent), and bank/credit union accounts (15.77 percent). These results indicate that tribal governments and/or local organizations would benefit from identifying or developing appropriate savings vehicles for community

members. These governments and organizations could also seek out and offer homeownership education, and information on other major wealth-building opportunities, while working to identify ways to overcome any barriers to homeownership and other major asset-building opportunities in their communities.

### **Conclusions and Recommendations for Increasing the Effects of EITC in Native Communities**

Federal and state EITC laws reflect one of the most effective economic policy strategies instituted in the last 25 years. These policies have proven effective at both encouraging job retention and increasing resources for all low-income families, including Native families. The money these policies supply from simply claiming refundable tax credits was not designed to replace other needed resources provided by minimum wage and “living wage” policies, but to augment them, increasing the self-sufficiency and buying power of low-income families and communities in the United States. The EITC has had a slow take-up rate in communities nationwide, particularly where the extra resources are needed the most – in underserved and impoverished communities, such as many Native American, Alaska Native, and Native Hawaiian communities.

These policies may also be under threat of reduction or termination, if concerned governments, partner organizations, and ordinary citizens do not ensure take-up rates increase so that the economic benefits can flow to low-income families. This case will be made easier by the pursuit of more research that provides hard data on the positive effects the EITC can have on low-income families and communities – particularly research illustrat-



ing effects of this policy related to creating stronger family economic bases. The need for and relevance of this research in Native communities, where people have been many times taken advantage of by outside researchers, is particularly pressing. Unscrupulous research practices have resulted in a general mistrust of research by both tribal leaders and community members. Native communities are also often significantly neglected in important studies due to the challenge of finding existing baseline data.

Major headway has been made in Native communities to increase both the knowledge and the receipt of the EITC, thanks to a large number of committed organizations and entities from a variety of public and private sectors, but much more could be done in this area. Only a relatively small number of tribes and Native communities run EITC campaigns and VITA sites in their communities, or even collaborate on them, although existing Native initiatives include some outstanding examples of effective practices. Federal, state, and tribal governments all have important roles to play in encouraging, collaborating on, and funding these efforts – particularly in the area of making EITC and other refundable tax credit policies more effectively designed to work for all populations. Trusted community-based programs and services play, and will continue to play, a critical role in developing and maintaining economic well-being in Native communities.

A better understanding of EITC receipt in Native communities can provide program leaders, tribal governments, and others with important insights. Knowing who in the community receives the EITC (Natives v. non-Natives, tribal citizens v. non-citizens) and what their anticipated uses of the funds include, are critical pieces of information for more effective community planning and policy

making. For example, if many tax refund recipients hope to save and invest their tax credit in order to buy a home or other asset, this would indicate that tribal governments, Native organizations, and their partners must identify or develop appropriate programs to help individuals achieve these goals.

Ultimately, data such as that from the study outlined in this chapter not only provide useful information for the specific Native nations participating, but could become a powerful tool in convincing many Native nations of the economic wisdom of investing in EITC outreach and VITA site development, and the addition of asset-building components to any economic development approach. It can be a powerful motivator for individuals and leaders in Native nations that do not participate in EITC outreach to discover the level to which peer communities are benefiting from high receipt of the EITC.

The results of studies on EITC benefits in Native communities will inform policy and the broader asset-building field about the influence EITC/VITA campaigns have on all people's asset-building behavior. Development of asset-building initiatives in Native communities should be designed to be accessible to Native community members and should be tailored to such pressing needs as opportunities for greater financial education, access to viable financial services, and saving and investment.



## Endnotes

- <sup>1</sup> Morris 2005.
- <sup>2</sup> Phillips 2001.
- <sup>3</sup> Gordon et al. 2003.
- <sup>4</sup> Romich & Weisner 2000.
- <sup>5</sup> Phillips 2001.
- <sup>6</sup> IRS website.
- <sup>7</sup> CBPP 2006.
- <sup>8</sup> Maag & Rogers 2000.
- <sup>9</sup> Levitis & Johnson 2006.
- <sup>10</sup> Maag & Rogers 2000.
- <sup>11</sup> Hatcher Group 2006.
- <sup>12</sup> Lazere et al. 2001.
- <sup>13</sup> Hatcher Group 2006.
- <sup>14</sup> Wisconsin Department of Revenue 1998a.
- <sup>15</sup> Wisconsin Department of Revenue 2006.
- <sup>16</sup> Gordon et al. 2003.
- <sup>17</sup> Argilagos 2004.
- <sup>18</sup> Donohoe 2006.
- <sup>19</sup> Argilagos 2004.
- <sup>20</sup> NeighborWorks of Montana 2004.
- <sup>21</sup> U.S. Treasury 2006.
- <sup>22</sup> Beverly et al. 2003.
- <sup>23</sup> Chiou et al. 2005.
- <sup>24</sup> Wagner 2006.
- <sup>25</sup> Zinsmeyer & Flacke 2006.
- <sup>26</sup> Wancheck 2006.
- <sup>27</sup> Wancheck 2006.
- <sup>28</sup> NFEC 2005.
- <sup>29</sup> Berube 2006.
- <sup>30</sup> Fernandez 2002.
- <sup>31</sup> Fernandez 2002.
- <sup>32</sup> The Children's Defense Fund, MN 2006.
- <sup>33</sup> Holt 2006.
- <sup>34</sup> Holt 2005.
- <sup>35</sup> For tools and information, go to <http://www.brookings.edu/es/urban/eitc/dataguide.htm>.
- <sup>36</sup> Zinsmeyer & Flacke 2006.
- <sup>37</sup> Fletcher, Garasky, & Jensen 2003.
- <sup>38</sup> Pandey, Brown, Scheuler-Whitaker, & Collier-Tenison 2001.
- <sup>39</sup> Hicks & Edwards 2005.
- <sup>40</sup> For more information on IDAs, see the IDA chapter of this report.
- <sup>41</sup> Department of the Treasury 2006.

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## Addendum 1

### **EITC Web Resources of Special Interest to Native Families and Communities**

The websites listed below are good examples of informational resources that could be helpful in establishing EITC programs and VITA sites in Native communities. Some of the sites listed do not have information specific to receipt of the EITC in Native communities, but have general information that pertains to the topic and could be useful to Native people. Other than the NFEC website, the websites listed are not necessarily endorsed by the authors of this chapter, NFEC, FNFI or OWEESTA.

**Native Financial Education Coalition:** [www.nfec.info](http://www.nfec.info)

#### **Additional Websites**

First Nations Oweesta Corporation:  
[www.oweesta.org/eitc](http://www.oweesta.org/eitc)

The Annie E. Casey Foundation:  
[www.aecf.org/initiatives/fes/eitc/](http://www.aecf.org/initiatives/fes/eitc/)

IRS ~ Free Tax Preparation:  
[www.irs.gov/individuals/article/0,,id=96406,00.html](http://www.irs.gov/individuals/article/0,,id=96406,00.html)

National Community Tax Coalition:  
[www.tax-coalition.org](http://www.tax-coalition.org)

First Nations Development Institute:  
[www.firstnations.org/EITCwb.asp](http://www.firstnations.org/EITCwb.asp)

The Kathryn M. Buder Center for American Indian Studies:  
<http://gwbweb.wustl.edu/buder/pubs.html>

The Center for Social Development:  
<http://gwbweb.wustl.edu/CSD/>

The Brookings Institution:  
[www.brookings.edu/metro/eitc.htm](http://www.brookings.edu/metro/eitc.htm)

Center for Budget and Policy Priorities:  
[www.cbpp.org/eic2006/](http://www.cbpp.org/eic2006/)

The Finance Project: [www.financeproject.org/irc/win/eitc.asp](http://www.financeproject.org/irc/win/eitc.asp)  
Splitrefunds.net – Build Savings at tax time:

[www.splitrefunds.net/background.php](http://www.splitrefunds.net/background.php)

Corporate Voices for Working Families:  
[www.cvworkingfamilies.org/2006EITC/2006EITC.shtml](http://www.cvworkingfamilies.org/2006EITC/2006EITC.shtml)

World Institute on Disabilities:  
[www.wid.org/publications/?page=equity&sub=200503&topic=tm](http://www.wid.org/publications/?page=equity&sub=200503&topic=tm)

Rural Assistance Center:  
[www.raconline.org/info\\_guides/tribal/tribal\\_human.php](http://www.raconline.org/info_guides/tribal/tribal_human.php)

California Indian Legal Services:  
[www.calindian.org/nl\\_fall2002.2.htm](http://www.calindian.org/nl_fall2002.2.htm)

## Addendum 2

### **Policy Recommendations from the NFEC Related to EITC Policy**

NFEC takes a leading role in recommending and promoting new policy ideas, supporting effective policies and potentially effective proposed policies, and suggesting policy amendments at the federal, state, and tribal levels. The Coalition organized two annual policy briefings in Washington, D.C., in 2005 and 2006, during Financial Literacy Month (April). The following recommendations on EITC policy were made at the April 2006 policy briefing hosted by the NFEC on Capitol Hill:

- Give funding priority to support Native EITC awareness campaigns and free tax preparation programs such as Volunteer Income Tax Assistance (VITA), low-income tax clinics, and tax counseling for the elderly.
- Enact legislation to provide consumer protections against the practice of issuing high-cost refund anticipation loans.
- Further, and more specifically, Congress should:
  - Enact the Taxpayer Protection and Assistance Act (S. 832)
  - Urge the federal administration to allow for “split-refunds”
  - Support legislation that curbs predatory tax preparation practices
  - Increase support for the EITC and free tax preparation programs

#### **Background Information**

Efforts to better fund advocates with the best interests of taxpayers in mind must be supported as important steps for more equitable receipt of the EITC. Two examples are Senator Durbin’s “Dear Colleague” letter supporting the appropriation of \$10 million to assist Low Income Tax Clinics in providing services to working families, and S. 832, sponsored by Senators Bingaman, Smith, Baucus, Grassley, Akaka, Shumer, and Pryor.

A proposal has been made to allow EITC recipients to split tax refund deposits into two accounts. This allows people to deposit their tax return into up to two financial transaction accounts, including IRAs, 529 college savings plans, and other products. This change would allow tax filers to put part of their tax return toward immediate needs and save some for longer-term goals. We urge the administration to support this change as one of many tools to promote saving among low-income working families.

## CHAPTER 6: NATIVE CDFIs

# A Catalyst for Asset Building: Native Community Development Financial Institutions

“If they keep coming in our door, we keep exposing them to more financial education, and, hopefully, we start to keep more wealth in the community.”

-David Fleming, President, Lac Courte Oreilles Federal Credit Union

### Introduction

Native Community Development Financial Institutions (Native CDFIs) offer a locally controlled, community-responsive resource for credit and other financial services to support asset-based development in Native communities. As First Nations demonstrated with its Reservation Economic Impact Study,<sup>1</sup> and other community and economic development practitioners and scholars continue to point out, a lack of community-owned businesses drains the local economy because tribal members are forced to import the vast majority of the goods and services they need from border towns (and even farther afield), perpetuating cycles of poverty and disenfranchisement. In addition, the lack of financial institutions within Native communities has hindered access to the financial services necessary to drive business development. Native CDFIs play a particularly important role in addressing this problem by providing the capital, training, and technical assistance necessary to support the Native-owned businesses that have begun to redirect ownership and control back into the reservation communities. The importance of Native CDFIs in addressing this challenge cannot be underestimated, because many future Native entrepreneurs are interacting with credit for the first time. Native CDFIs, by providing access to financial services, training and technical assistance, and role models for entrepreneurship development, are a critical part of developing an enabling environment for economic growth on Indian reservations.

The impact of Native CDFIs goes well beyond the Native communities they serve within the United States. In fact, they are a part of a global movement to provide impoverished communities with accessible financial services through transparent, culturally appropriate institutions. Given the multi-generational poverty faced by many Indigenous communities, these institutions are particularly critical to the economic success of Indigenous people around the world.





## A Catalyst for Asset Building: Native Community Development Financial Institutions

While the Nobel Committee’s decision to award Muhammad Yunus the 2006 Nobel Peace Prize brought considerable attention to the need for and impact of “the right kind of institutional support” in community efforts to provide their members (Indigenous and non-Indigenous) with the tools to “change their own lives,”<sup>2</sup> First Nations Development Institute (through its First Nations Oweesta Program that would evolve into a wholly-owned subsidiary corporation, First Nations

Oweesta Corporation) was quietly going about the business of removing the barriers to capital formation on Indian reservations in the United States. The analysis in this chapter demonstrates the critical role played by Native CDFIs – in diverse Native communities across the country – in developing and implementing strategies to establish healthy economic systems and culturally vibrant communities.

**Table 1: Native CDFI Institutions, Products, and Programs—  
The National Movement and its Characteristics Today**

Types of Native CDFIs (Certified and Uncertified)	Native CDFI Financial Service Products Offered	Native CDFI Development Service Products Offered	Native CDFI Partners
<ul style="list-style-type: none"> <li>• Loan funds (business, housing, consumer, mix)</li> <li>• Credit unions</li> <li>• Credit associations</li> <li>• Banks</li> <li>• Venture capital funds</li> <li>• Intermediaries</li> </ul>	<ul style="list-style-type: none"> <li>• Microenterprise loans</li> <li>• Small business loans</li> <li>• Commercial loans</li> <li>• Equity investments</li> <li>• Consumer loans (secured and unsecured)</li> <li>• Mortgages</li> <li>• Rehabilitation loans</li> <li>• Down payment loans</li> <li>• Construction loans</li> <li>• Credit repair loans</li> <li>• Emergency loans</li> <li>• Tribal employee loans</li> <li>• New and used auto loans</li> <li>• Credit builder loans</li> <li>• Payday loans</li> </ul>	<ul style="list-style-type: none"> <li>• Homebuyer education and counseling</li> <li>• Entrepreneurship training, technical assistance and consulting</li> <li>• Financial education</li> <li>• Credit counseling</li> <li>• Volunteer tax preparation and counseling</li> <li>• Accounting/book-keeping</li> <li>• Marketing outlets</li> <li>• Business incubators and retail space</li> </ul>	<ul style="list-style-type: none"> <li>• Banks</li> <li>• Credit unions</li> <li>• CDFIs</li> <li>• Tribes</li> <li>• Tribal programs, departments and enterprises</li> <li>• Nonprofit organizations</li> <li>• Local, State and Federal programs and departments</li> <li>• Tribal colleges</li> <li>• Community colleges</li> <li>• Universities and state colleges</li> <li>• Technical schools</li> <li>• Tribal, public, charter and BIA schools</li> <li>• Housing authorities</li> <li>• Chambers of commerce</li> <li>• National and regional intermediaries</li> </ul>

## Methodology

This chapter draws upon a detailed analysis of a number of Native CDFIs and seeks to draw out lessons learned and promising practices. The case studies specifically addressed include Citizen Potawatomi Community Development Corporation (CPCDC), Four Bands Community Fund (Four Bands), Four Directions Development Corporation, Lac Courte Oreilles Federal Credit Union (LCOCU) and Salt River Financial Services Institution (SRFSI). This chapter also draws from a literature review of research on Native CDFIs, including two reports written by First Nations Development Institute as a result of their evaluation of their grant making to new and emerging Native CDFIs through their Little Eagle Staff Fund. In addition, this chapter draws from First Nations Oweesta Corporation's current Native financial institution/Native CDFI database and the *Native Financial Institutions (NFI) Report* produced by First Nations Oweesta Corporation in December 2005. This report presents an overview of the Native CDFI industry compiled from 34 surveys of Native CDFIs, Native banks, Native credit unions, and Native venture capital funds throughout the country, and is supplemented by interviews with Native financial institution staff. Secondary data research on the field of Native CDFIs was also conducted and incorporated into this chapter.

## The Growth of the Native CDFI Field

The 1960s, '70s, and '80s saw some movement in the field of community development lending, with the enactment of several federal policies from the Johnson Administrations' "War on Poverty" through to the Community Reinvestment Act. First Nations Development Institute's 1985 launch of the Lakota Fund – the first reservation-based peer-lending fund – demonstrated that Native

institutions were on the forefront of this movement.<sup>3</sup> First Nations Development Institute's (First Nations') investments in and ongoing partnership with the Lakota Fund, and the whole Native CDFI field, demonstrates the key role of Native CDFIs in First Nations' mission to assist Native peoples to control their own assets and build the capacity to direct their economic futures in ways that fit their cultures. It is not an exaggeration to say that the early leaders and investors in First Nations saw a vision for Native communities (and achieved it) that parallels that of Professor Yunus and other visionaries from Indigenous and non-Indigenous communities all over the world.

First Nations played a seminal role in the successful inclusion of American Indian-specific language in the Community Development Financial Institution Fund (CDFI Fund) legislation, that has led to 1) Native American set-asides of \$19 million, 2) the creation of First Nations' wholly-owned subsidiary, First Nations Oweesta Corporation, for the capitalization and training of emerging Native CDFIs, 3) the growth in certified Native CDFIs from two to 42, and 4) 148 awards totaling \$23.1 million since 2002, through the CDFI Fund's various funding programs aimed at benefiting Native communities. While some Native financial institutions were in operation prior to the establishment of the CDFI Fund<sup>4</sup> in 1994, they were few in number. A combination of the ingenuity of Native people (at the national and local level), the investments of the CDFI Fund (including direct funding, the publication of the 2001 Native American Lending Study, and the *Expanding Native Opportunity* training and technical assistance initiatives), and the establishment of First Nations Oweesta Corporation, as a wholly-owned subsidiary of First Nations Development Institute, in 1999, created the right environment for the rapid growth of Native CDFIs that has occurred since 2000.

**“When you start operating a CDFI in the community, it’s about behavioral change – teaching people financial education and how to operate a successful business.”**

The CDFI Fund was authorized as a bipartisan initiative by the Riegle Community Development and Regulatory Improvement Act of 1994. It encourages the creation and expansion of diverse CDFIs<sup>5</sup> by providing funding for their development, as well as incentives to traditional banks and thrifts to promote building these institutions. CDFIs are also required to attract and secure private dollars for their expansion by matching their awards with non-federal funds.<sup>6</sup> CDFIs are defined by the CDFI Fund as unique entities established to provide credit, financial services, and other services to underserved markets or populations. In order to qualify as a CDFI, an institution must have a primary mission of community development, serve a specific target market, be a financing entity, provide development services, remain accountable to its community, and be a non-government entity. CDFIs often work in markets where mainstream financial institutions are absent and

they can work to develop new markets in underserved areas. CDFIs use both financial and social terms as key indicators in measuring their success. Quality jobs, social services, and affordable homes for economically disadvantaged people and communities are of equal importance to investor capital and the provision of financial returns when determining their impact.

In 2001, the *Native American Lending Study*, published by the CDFI Fund, documented what many working in Indian Country already knew – that a lack of private

sector financial institutions within Native communities had hindered access to credit and capital for business development and other economic activity.<sup>7</sup> This study informed First Nations’ work and the later work of the subsidiary it created (First Nations Oweesta Corporation). First Nations has worked with First Nations Oweesta Corporation to determine a set of common criteria to identify Native CDFIs and the broader Native financial institution field. First Nations and First Nations Oweesta Corporation define Native CDFIs as organizations dedicated to providing development services (training and technical assistance) and various types of financial services (checking, savings, consumer loans, business loans, housing loans, etc.) to Native communities, encouraging them to become strong and self sufficient. Furthermore, a Native CDFI must be governed by a representative board and work for the betterment of a Native community. They can be located anywhere there is a significant Native population, whether it is on a reservation (federally-recognized or not), in an Alaska Native village, across the Hawaiian Islands, or in a metropolitan area anywhere in the 50 states – so long as the institution is truly serving a Native community.

In 2001 First Nations launched its First Nations’ Little Eagle Staff Fund, a grant program for start up Native CDFIs. This program was designed to provide critical first-year financial support for emerging Native CDFIs that needed to conduct market studies, develop organizational policies and procedures, develop lending and financing policies, and accelerate fundraising activities. Since 2001, First Nations has made 13 grants totaling over \$261,000 through the Little Eagle Staff Fund.



### First Nations Development Institute's Little Eagle Staff Fund

A key part of the mission of First Nations Development Institute is to encourage the emergence of, and continuing investment in, social-entrepreneurial economic development organizations in American Indian reservation communities, including the support infrastructure and the creation of innovative models for reservation communities. First Nations accomplishes this, in part, through its First Nations' Little Eagle Staff Fund, which provides these Native CDFIs early stage investment and capitalization so that they in turn may solidify their equity position, increase internal organizational capacity, and enhance their development of new products and services that are necessary for the creation of the environment needed for the development of an entrepreneurial culture. Launched in 2001, First Nations' Little Eagle Staff Fund has made grants to 13 new and emerging Native CDFIs, totaling over \$261,000 invested in these important community institutions.

Investment in these institutions enables them to offer new and innovative individual asset-building strategies for community members, and allows them to act as an information and education clearinghouse for asset- and wealth-creating programs. In addition to equity capital investment, First Nations' support also means fostering a level playing field for small enterprises through improving registration and incorporation procedures; reforming contract, property and tax laws; and reducing other government-created barriers to business creation and growth. It is First Nations' vision that support for the enabling environment — also known as the business climate or investment climate — will mean creating the healthy social entrepreneurial institution that provides support and capital for entrepreneurs who are operating in the formal and informal economies.

### The Importance of Native CDFIs for Community Change

Native CDFIs are a critical tool in making “structural changes in how Native communities can advance their own interests.”<sup>8</sup> The commitment of Native CDFIs in addressing the challenges associated with lack of access to capital, underdeveloped reservation economies, and lack of business development cannot be underestimated, because many future Native entrepreneurs are interacting with credit for the first time. As stated by Elsie Meeks, “When you start operating a CDFI in the community, it’s about behavioral change — teaching people financial education and how to operate a successful business, which is hard under any circumstances.”<sup>9</sup>

In addition to being institutions of community economic development, Native CDFIs are nation-building institutions. While all Native CDFIs must maintain an “arm’s length” from the politics of the nation, many successful Native CDFIs incorporate the goals of their nations and communities into their own institutional framework and mission. The research of the Harvard Project on American Indian Economic Development (Harvard Project) has demonstrated that laying a sound institutional foundation is a key component of the nation-building approach. In *Where’s the Glue: Institutional Bases of American Indian Economic Development*, Cornell and Kalt argue that a society’s economic success:

*...depends centrally on the legal, social, and political institutions that are imposed on it or selected by it. That is, the origins and paths of growth are determined primarily by the societal institutions which channel effort into productivity, provide payoffs for capital investment, organize the division of labor, and permit exchange.<sup>10</sup>*

Many tribes have worked with Native CDFIs and their partners to develop legislation, legal codes, and/or other policies to create a conducive context for the successful provision of lending services (like regulations to facilitate mortgage lending on trust lands).

A prime example of this type of cooperation between Native nations and Native CDFIs involves Four Directions Development Corporation (Four Directions) in Maine and the four reservations it serves. Four Directions has been historically limited in its ability to engage in mortgage lending because of the lack of specific tribal codes and regulations relating to commercial

and mortgage lending on the four Maine reservations. Through discussion with Four Directions, the tribes created four documents that responded to the uniqueness of mortgage lending on trust lands: *Tribal Foreclosure Code*; *A Residential Lease of Tribal Land*; *An Approving Foreclosure Code for Four Directions Development Corporation*; and *Mortgage Deed and Trust Agreement*.<sup>11</sup> According to new tribal codes and regulations, trust or reservation land leased by individuals who default on their payments will revert to the tribe. The tribe can then sell or lease this land to other tribal members, and then use their money to pay off the mortgage with Four Directions. The agreements and/or resolutions obtained by Four Directions from the four tribes of Maine have helped them to begin mortgage lending to their communities. Furthermore, these tribal codes and regulations have set in motion a similar process in other governmental agencies at the state and federal level, providing a much stronger context for homeownership in Native communities, in Maine and elsewhere.<sup>1</sup>

### **First Nations Oweesta Corporation: Developing Native Assets**

In 1986, First Nations established the First Nations Oweesta Program and Fund, which was dedicated to addressing the critical lack of access to development capital and credit in Native communities. First Nations Oweesta Corporation was incorporated in 1999 as a wholly-owned subsidiary of First Nations Development Institute. In 1999, First Nations Oweesta Corporation became the first and only certified national Native CDFI intermediary dedicated to providing technical assistance, training, research, and lending to local Native CDFIs and their partner organizations, sponsoring entities, and Native affiliate organizations in all 50 states.

First Nations Oweesta Corporation was born of a long-term effort at First Nations Development Institute to take a direct role in supporting the development of Native financial assets at the local level. In the mid 1980s, as the First Nations Oweesta Program of First Nations, it worked to develop alternative financing access for Native entrepreneurs, homebuyers and tribal businesses, as well as create and fund Native financial institutions that would work directly with community members.

Since 1999, its programs and services have focused on three areas:

1. Training, Technical Assistance, and Consulting: Institution Development, Financial Education, and Asset Building.
2. Lending and Capitalization.
3. Research, Policy, and Advocacy.

Offering a multi-dimensional training and technical assistance program that assists in the development and expansion of Native CDFIs, First Nations Oweesta Corporation works to assess whether a Native CDFI is right for a particular community, examines the basic building blocks of successful Native CDFI development, and assists in the market analysis and development of loan products. Primary clients include micro and small business loan funds, land consolidation and acquisition loan funds, housing loan funds, and credit unions and credit associations. With regard to lending and capitalization, First Nations Oweesta Corporation provides loans to qualified Native CDFIs to help build their capacity and further their economic and community development goals, including deposits in regulated Native financial institutions. In terms of its research, policy, and advocacy work, First Nations Oweesta Corporation follows First Nations' Native Assets Research Center's lead on research studies focused on identifying and mitigating barriers to Native control of and access to financial assets. As First Nations Oweesta Corporation states on its website, "Our national voice works to create and retain the integrity of policy favorable to building assets in Native communities."<sup>13</sup> Through its culturally relevant training and resource materials, customized technical assistance to Native CDFIs, and capitalization strategies, First Nations Oweesta Corporation has been able to achieve its ongoing mission "To enhance the capacity of Native tribes, communities, and peoples to access, control, create, leverage, utilize, and retain financial assets, and to provide access to appropriate financial capital, emphasizing capacity building for Native development efforts."<sup>14</sup>

One of the primary factors behind the growth of the Native CDFI industry is the role that First Nations Development Institute and First Nations Oweesta Corporation have played and continue to play in encouraging and supporting the creation of these institutions. As the only certified Native CDFI intermediary in existence, First Nations Oweesta Corporation has been the driving force behind the Native CDFI industry that First Nations envisioned it would be when it created the First Nations' Oweesta Program 20 years ago. In the most recent round of awards from the CDFI Fund benefiting Native communities, the vast majority were current or former clients of First Nations Oweesta Corporation. First Nations Oweesta Corporation's impact on the field of Native CDFI development has been significant, with their work serving as an indispensable complement to the investments of the CDFI Fund and the private sector over the last several years.





In testimony before the U.S. Senate Indian Affairs Committee's *Oversight Hearing on Economic Development* on May 10, 2006, Miriam Jorgenson, research director for the Harvard Project and associate director for research at the Native Nations Institute, cited institutions as the "key ingredient" that must support economic development, and her first policy recommendation to the Committee was to "invest in institutional development and institutional reform."<sup>15</sup> Native CDFIs are a crucial component of the institutional development and reform that the Harvard Project recommends, and of the nation-building approach articulated by the Harvard Project, because they assist Native communities in reclaiming their economic and political sovereignty by supporting the development of culturally-appropriate financial, legal, and community infrastructure. This community infrastructure is critical to establishing healthy Native communities whose economic success is only a component of their broader cultural, social, and spiritual resurgence, a point long argued by First Nations.

Given the fact that Native CDFIs play a critical role in the economic health and social cohesion of the communities that they serve, their growth over the past several years may seem unsurprising. That assumption fails to see the very real challenges of multi-generational poverty in Native communities – it is hard to grow seeds, even the best seeds, in dry soil. Making a proven model work in a new context may be daunting, but the information in this chapter is intended to highlight the opportunities and challenges faced by Native CDFIs and to offer hope to the many communities that are ready to get started. As noted earlier, Native CDFIs are a part of a global movement and offer Native communities a means to participate in the local and global economies on their own terms.<sup>16</sup> Through the development of their own financial institutions, Native communities are creating

the foundation for their own culturally relevant financial education programs, loan products, and training and technical assistance programs that strengthen the ability of their citizens to define and achieve successful development in their communities.

### Results of Investments in the Native CDFI Field

Community Development Financial Institutions (CDFIs) have grown rapidly since 1994. According to Opportunity Finance Network, there are currently 800 to 1,000 CDFIs and other comparable institutions currently operating in the United States, of which 774 are certified CDFIs. Prior to 2000, only two Native CDFIs had received certification from the CDFI Fund. As of May 2007, there are 42 certified Native CDFIs and 66 emerging Native CDFIs throughout the country. The majority of these are loan funds providing business lending and technical assistance.

Prior to 2002, Native CDFIs were funded through CDFI Fund awards that targeted all CDFIs, Native and non-Native. The November 2001 release of the *Native American Lending Study* changed the context by providing compelling data that underscored the specific need to foster the growth of Native CDFIs. The study offered compelling confirmation that Native communities were underserved by financial institutions: 86 percent lacked a single financial institution within their borders, 15 percent had to travel at least 100 miles to access an ATM or bank.<sup>17</sup> The analysis of business investments in Native American and Native Hawaiian economies revealed a \$44 billion gap from those in the United States economy as a whole.<sup>18</sup> Since the study was released, the CDFI Fund has embarked on a number of initiatives designed to over-

## Our Definition of Native Financial Institutions

As a result of their sustained work with Native CDFIs, First Nations Development Institute and First Nations Oweesta Corporation currently use a more narrow definition for Native financial institutions, and therefore for Native CDFI, than the CDFI Fund. The particular differences relate to the amount of service provided by the Native CDFI to the Native population and the makeup of its management and staff. A CDFI is considered to be a Native CDFI if 75 percent of the recipients of financing (loans, investments, accounts, etc.) and/or technical assistance and training activities (financial education, business development training, homebuyer education, etc.) are Native and if it meets one or more of the following criteria:

- The organization is wholly owned by the tribe (for profit) or controlled by the tribe (not-for-profit).
- The organization is a subsidiary of a tribally owned corporation or Native corporation.
- The organization is owned by enrolled member(s) of a Native group (recognized or non-recognized).
- The founders of the organization or group are Native, tribal administration, government, etc. (showing sure outgrowth from Native community or tribe).
- At least 75 percent of managing board of directors is Native and/or a permanent resident of the reservation, community or region (considers individuals married to tribal members and adopted members accepted by the tribe or community, as well as the sometimes small pool of individuals willing and able to serve on boards/committees).
- At least 60 percent of the staff is Native and/or permanent resident of the reservation, community or region (considers individuals married to tribal members and adopted members accepted by the tribe or community, as well as the sometimes small pool of individuals to fill specialized positions).<sup>19</sup>

come barriers preventing access to credit, capital, and financial services in Native American, Alaska Native, and Native Hawaiian communities.<sup>20</sup> Since 2002, The CDFI Fund has made 148 awards totaling \$23.1 million through its various funding programs aimed at benefiting Native communities. In 2002, the CDFI Fund's Native American Initiatives program (NAI) was established, along with a Native-specific funding set-aside. The first

awards provided under the NAI program were funded through the Native American CDFI Technical Assistance (NACTA) program, which awarded technical assistance grants in 2002. The NACTA program was replaced by the Native American Technical Assistance program (NATA) and the Native American CDFI Development program (NACD) in 2003. The NATA and NACD programs were combined into the Native American



CDFI Assistance program (NACA) in 2004. NACA is now the only assistance awards program specific to Native communities at the CDFI Fund. However, Native institutions are eligible to apply for the other assistance awards housed at the CDFI Fund as long as they meet the same basic criteria.

Through the NACA Program, the CDFI Fund provides financial assistance awards and technical assistance awards. The NACA program was the first of the NAI programs to offer financial assistance awards as well as technical assistance awards to Native CDFIs. Through the NACA program, certified applicants are generally allowed to request financial assistance awards up to \$500,000 and technical assistance awards up to \$150,000. In order to qualify for financial assistance awards only, or a combination of financial assistance and technical assistance awards through the NACA program, applicants must either be a certified Native CDFI or be able to be certified by the CDFI Fund at the time of the grant award closing.

The impact of the CDFI Fund's investments in the development of Native CDFIs was analyzed by the CDFI Coalition in their October 2006 report, *Native Community Development Financial Institutions: A CDFI Coalition Analysis of Native Program Participation in CDFI Fund Programs*. The report's analysis of awards to Native CDFIs identifies four developments that indicate growth in the strength of the Native CDFI field. The report found growth in the number of repeat awardees; growth in average award size; the increased distribution of awards by CDFI type; and an increasingly broad geographic area served. According to the report, since the CDFI Fund first distributed awards through the NAI, the proportion of first-time awardees among all grants

awarded has declined. This trend could be an indication of the growing strength of developed Native CDFIs to the point where "successful utilization of CDFI Fund is possible." The report indicates that Native CDFIs have matured and now have the organizational capacity to manage the average award of loan funds that has increased fourfold from \$75,000 in 2002, to over \$300,000 in 2006. This expansion of organizational capacity is also illustrated by the fact that Native CDFIs are accepting financial assistance awards, which require them to raise the outside capital necessary to fund the matching component of the award agreement.<sup>21</sup> Recipients of financial assistance awards are also required to be certified CDFIs that are making loans, meaning these institutions have moved into an industry-recognized, more capable stage of operation. From a community perspective, this is particularly promising, as the increase in financial assistance awards directly indicates an increase in the availability of capital for community lending services in Native communities. The final observation of the report is that Native CDFIs are growing in a manner that reflects the geographic distribution of Native communities (these data are addressed in more detail in the following paragraph). Read together, all of these developments indicate a maturing of the Native CDFI industry as a critical piece of stronger Native economies in diverse communities across the nation.

The most recent award dataset confirms what many practitioners have claimed: that the maturing Native CDFI industry is causing demand for financial assistance and technical assistance awards to significantly outstrip supply. In 2006, the CDFI Fund received 39 applications requesting almost \$14 million. A total of 21 Native CDFIs received awards including nine certified Native CDFIs, four emerging Native CDFIs and eight sponsoring entities. Total awards of \$4,299,683 included 20

technical assistance awards (\$2,049,683) and six financial assistance awards (\$2,250,000). That means that in one year alone local communities lacked approximately \$9 million in funding to meet their financial services needs. The 2006 NACA program awardees are located in the following 12 states: Alaska, Arizona, California, Colorado, Hawaii, Michigan, Minnesota, Oklahoma, South Dakota, Utah, Washington, and Wyoming. These states have been amongst some of the most active in Native CDFI development, with Arizona, Oklahoma, and South Dakota being primary hubs of Native CDFI development. Including the states listed above, a total of 25 states have Native CDFIs. Table 2 lists the number of Native CDFIs in each state.

In addition to direct funding of Native CDFIs, the CDFI Fund has also financed three other programs as part of their *Expanding Native Opportunity* initiatives. These programs focus on building the capacity of Native CDFIs and communities or organizations interested in becoming CDFIs to best serve their communities through a range of financial and asset-building products and services. The three programs are the *Native Communities Financing Initiative (NCFI)*, the *Native IDA Initiative (NIDAI)*, and the *Native Financial Skills & Enterprise Initiative (NFSEI)*.

**Table 2: Native CDFIs by State<sup>22</sup>**

State	# of Native CDFIs	# of Certified Native CDFIs
Alaska	6	3
Arizona	10	1
California	4	1
Colorado	3	2
Hawaii	6	4
Kansas	1	0
Maine	1	1
Maryland	1	0
Michigan	6	0
Minnesota	8	4
Montana	7	4
Nebraska	4	0
Nevada	1	1
New Mexico	2	2
New York	2	0
North Carolina	2	2
North Dakota	2	0
Oklahoma	10	6
Oregon	1	1
South Dakota	10	5
Tennessee	1	0
Utah	2	0
Washington	5	0
Wisconsin	5	3
Wyoming	2	1



## The Native Communities Financing Initiative

The *Native Communities Financing Initiative (NCFI)* is a multi-part training program for developing and expanding Native CDFIs that began in 2003 and is presented by Opportunity Finance Network and First Nations Oweesta Corporation, under a contract with the CDFI Fund. The program consists of a variety of components, each designed for organizations at different stages of development:

- **Start up and Emerging Native CDFI Program** – Includes Curriculum #1, “*Does Your Native Community Need a CDFI?*,” a one-day introduction to starting a Native CDFI, and Curriculum #2, “*Organizing a CDFI to Serve Native Communities: A Building Guide*,” which consists of nine modules that address key issues in starting and operating a Native CDFI: Organization/infrastructure, market analysis, loan products, loan policies, business underwriting, housing underwriting, capitalization, marketing your Native CDFI, and development services.
- **Mature Native CDFI Program** – Provides technical assistance to enable existing and certified Native CDFIs to increase the effectiveness and capacity of their organizations.
- **Native Credit Union Program** – Modeled on the Start up and Emerging Native CDFI Program and includes Curriculum #1, “*Does Your Native Community Need a Credit Union?*” and Curriculum #2, “*Steps to Creating a Native Credit Union*.”
- **Peer Shadowing Program for Native CDFIs** – Provides experienced professionals from Native CDFIs with deeper insight into mentoring practices in order to offer ongoing advice and assistance to growing Native CDFIs.

## The Native IDA Initiative

The *Native IDA Initiative (NIDAI)* combines a three-day training institute with customized technical assistance to help Native organizations start up, implement, and sustain individual development accounts (IDAs) in their communities. It included a series of eight regional training institutes in 2005, 2006 and 2007, with one training each in Hawaii and Alaska. It is presented by First Nations Development Institute, First Nations Oweesta Corporation, and the Corporation for Enterprise Development (CFED) under a contract with the CDFI Fund.<sup>23</sup>



## The Native Financial Skills & Enterprise Initiative

The *Native Financial Skills & Enterprise Initiative (NFSEI)* was launched in early 2007 and has two components – financial education and entrepreneurship – with training and followup technical assistance for Native CDFIs and partner organizations. Separately, these efforts are known as the *Native Financial Skills Initiative (NFSI)* and the *Native Enterprise Initiative (NEI)*. As currently envisioned, NFSI will involve seven three-day financial education instructor certification trainings based on the First Nations'-authored *Building Native Communities: Financial Skills for Families (BNC-FSF)* financial education curriculum and is presented by First Nations Oweesta Corporation. The trainings will be tailored for Native CDFIs and their partners and be accompanied by up to six days of technical assistance per attending group to help them develop and implement financial education programs for their communities. In addition to certifying instructors for the basic BNC-FSF curriculum, NFSI will introduce Earned Income Tax Credit (EITC) and individual development account (IDA) training modules, based on First Nations' extensive work as a leader in both fields, and as part of First Nations' long-standing integrated strategy to help community members become more self-sufficient by building individual assets.

NEI consists of research and development of entrepreneurship-related curriculum, programs, and systems and is a partnership of First Nations Oweesta Corporation, ONABEN (Oregon Native American Business and Entrepreneurship Network), and CFED. Through a subcontract with the Native Nations Institute (NNI), First Nations Oweesta Corporation and its partners examined Native CDFIs and similar Native practitioners/organizations to determine and design a new training program to commence in October 2007, including two training institutes and followup technical assistance for developing and implementing locally appropriate versions of a Native enterprise development system. The growth of Native-owned businesses and the overwhelming Native CDFI emphasis on business lending and support services makes this particular effort important to the Native CDFIs and their partners.<sup>24</sup>

In 2004 and 2005, First Nations conducted an evaluation of their Little Eagle Staff Fund grantmaking to new and emerging Native CDFIs. The two research reports that resulted identified the significant contributions of Native CDFIs to their local community.<sup>25</sup> In 2004, First Nations documented that an initial investment by First Nations of \$101,294 leveraged a total of \$4,364,233 in additional funds raised, and helped support seven Native CDFIs to give 238 loans valued at \$484,635. Twenty-seven of these loans, worth a total of \$83,151, supported Native-owned

businesses located on reservations. In 2005, First Nations' evaluation report revealed that an investment of \$102,700 leveraged \$262,100 and supported over 32 loans totaling \$1,134,827. The impacts documented in these reports went beyond the financial contributions of local CDFIs – many qualitative impacts such as leadership development, increased opportunities and self-esteem, and the success of locally controlled financial institutions were also documented. These reports highlighted the need for future research on the impact of Native CDFIs on local economic development.

Investments by the CDFI Fund, other federal government agencies, tribal governments and enterprises, private foundations, banks, and other partners, have facilitated the work of Native CDFIs, including First Nations Oweesta Corporation, and many others. It has given them the support to develop an integrated range of services including education (e.g. homebuyer education, business training) and financial products (e.g. IDAs, loans, checking and savings accounts). These services create the institutional measures and financial infrastructure necessary to facilitate asset-based development in Native communities on their own terms that best meet the needs of their economically depressed communities. This integrated approach to asset building, a 28-year vision and practice of First Nations Development Institute, has come to be referred to as “integrated asset building” and is represented by the models outlined earlier in this report. The approach is premised on the notion that a proactive, holistic, long-term approach is needed to address the challenges of poverty in Native communities.<sup>26</sup> The growth of the Native CDFI field over the past several years offers significant hope for the future of Native communities that have already benefited greatly from the infusion of public and private dollars to build their economies.

### Challenges Facing the Native CDFI Field



The investments by the CDFI Fund and others have not left the Native CDFI field without ongoing needs, and to determine the scope of those needs, First Nations Oweesta Corporation conducted an in-depth market and product development study of Native financial institutions throughout the United States in 2005.

Research for this market analysis draws upon both primary and secondary data and involved an extensive survey, interviews, and Internet research. Through this research, First Nations Oweesta Corporation attempted to identify all Native CDFIs, credit unions, banks, revolving loan funds, microenterprise loan funds, and venture capital funds throughout the country. Of the over 78 Native financial institutions initially identified in March 2005, 70 Native financial institutions were confirmed active and were sent the Native Financial Institutions Survey beginning in April 2005 and ending in September 2005. Within a six month period, 55 Native financial institutions (78 percent) responded and 34 (48.6 percent) completed the survey. It has been determined that there are at least 107 certified and emerging Native CDFIs and more than 160 tribes/institutions (throughout the United States) in pursuit of CDFI Fund technical assistance awards and starting a CDFI.

Nearly two-thirds of the 34 Native financial institutions that responded to the surveys identified themselves as Native CDFIs. The surveys indicate that there is a clear demand for capacity building and technical assistance services at the Native financial institutions that address strategic analysis with their board of directors, entrepreneurship training, improving investor relations, and developing organizational capacity. They also indicated that Native financial institutions are focusing most of their financial services on small business, microenterprise, and commercial loans. The majority of Native financial institutions identified the need for some degree of advocacy, policy, and research in the following specific areas:

1. Advocacy and training related to Native CDFI certification and funding.

2. Advocacy and training related to entrepreneurial development.
3. Quantitative research on tribal businesses, the impact of Native financial institution programs, and housing needs on the reservation.
4. Demographic analysis of Native entrepreneurs and Native financial institution clients.<sup>27</sup>

First Nations, First Nations Oweesta Corporation, and a number of other partners and funders are working to meet the first and second priorities. The need identified in priorities 3 and 4 for reliable and high quality research to determine the best context for building strong Native economies through Native CDFIs and the individual outcomes they seek to support (like entrepreneurship) is ongoing. As the National Aboriginal Capital Corporation Association points out in their policy paper on Aboriginal Financial Institutions (AFIs) in Canada, more reliable economic data and tools are needed in order to develop institutional capacity. These data and tools can provide Indigenous communities with “increased control over their own economic development, by making the economy better understood and, crucially, valued. Once value is identified and recognized, it is easier to build on it, in addition to instilling a sense of pride and self-worth on the part of those building this value.”<sup>28</sup> In the United States, national organizations like First Nations’ Native Asset Research Center, as well as the National Congress of American Indians’ Policy Research Center, offer a promising way forward to provide the infrastructure for connecting academic and applied research with tribal and community leaders seeking timely information on how to best serve their communities.<sup>29</sup>

Funding for the CDFI Fund remains precarious, with the president’s budget proposing in 2006 and 2007 that it be merged with numerous other community development programs as part of the “Strengthening America’s Communities Initiative.” While this proposal was not adopted by Congress or proposed by the president for 2008, the 2008 budget includes a more worrisome recommendation that Congress eliminate the Native American Initiatives of the CDFI Fund completely and reduce overall CDFI Fund funding by almost half. These issues illustrate the difficult funding context faced by CDFIs in general and the CDFI funding gap already identified underscores the difficulties specific to Native CDFIs seeking to serve communities of even more pronounced need than in the nation as a whole. The need for and desirability of private investments in Native CDFIs makes “funder fatigue” a true concern, with Native CDFIs looking increasingly to other capital sources – including socially responsible investing (SRI) and educating tribes about investing in Native CDFIs.<sup>30</sup> In addition to SRI and other strategies to sufficiently capitalize Native CDFIs, it is also important to follow the National Aboriginal Capital Corporation Association’s recommendation to concentrate on building a positive investment climate by “creatively assessing the investment needs and the productive capacities of individual areas” so that Indigenous communities can be more in control “of the process leading to its own autonomous development.”<sup>31</sup> While the National Aboriginal Capital Corporation Association’s recommendations for developing more reliable economic data and tools and building a more positive investment climate relate to the Canadian context, its recommendations are very much applicable to Native CDFIs and the development of capitalization strategies. With the rapid growth of the Native CDFI industry and the recent decline in funding sources, the need for new

capitalization strategies will be of key importance as the Native CDFI industry grows and develops.

### Learning from Local Native CDFIs – Highlights from a Growing Field

The following mini-profiles serve to highlight key themes in the development, certification, and ongoing success of Native CDFIs. The steady growth in the number and diversity of Native CDFIs means that the examples here represent only the tip of the iceberg when it comes to this movement. We have chosen newer, stable organizations (established for 4 to 7 years), as well as those demonstrating tribal and geographic diversity. We wish we could profile many more of these important organizations, but these five serve as a testament to all the work being done in Native communities throughout the country.

The first profile deals with Citizen Potawatomi Community Development Corporation, an award-winning Native CDFI that has been on the forefront of the recent growth of the field and has contributed significantly to the success of other Native CDFIs. The second outlines the groundbreaking work of Four Bands Community Fund to develop an acclaimed Native CDFI in one of the nation's most economically depressed areas. The third deals with Four Directions Development Corporation, a Native CDFI that serves multiple tribes and has innovated to deliver many new products and insights to the Native CDFI field. The fourth highlights one of the few Native credit unions certified by the CDFI Fund, Lac Courte Oreilles Federal Credit Union, serving the Lac Courte Oreilles Ojibwa Reservation in Wisconsin. The fifth describes one of the newest Native CDFIs to emerge as a spin-off from a tribe, the Salt River Financial

Services Institution, serving the reservation and tribe of the same name in Arizona.

#### **Profile 1: Citizen Potawatomi Community Development Corporation – The Impact of a Supportive Tribal Government**

The Citizen Potawatomi Community Development Corporation (CPCDC) is a tribally-chartered not-for-profit entity, incorporated in May 2003 and certified as a CDFI in September 2004. The tribe used section 7871 of the tax code to create a separate organization that could receive tax deductible donations and would be recognized by the CDFI Fund as an independent not-for-profit entity. CPCDC's services focus on the provision of micro and small business loans to tribal members nationwide and Native Americans throughout Oklahoma, and it also provides personal loans to employees of the Citizen Potawatomi Nation. CPCDC was launched to address the lack of access to capital and financial services faced by Native borrowers in Oklahoma and around the country. The CPCDC was planned and founded as part of a multi-stage economic development strategy designed by the tribal government to provide capital and technical assistance for projects that help to create a healthy tribal economy. The tribe has long recognized that creating access to capital for businesses and aspiring entrepreneurs will help its members achieve self-sufficiency. Kristi Coker, executive director of CPCDC, states, "CPCDC is a direct outshoot of the Citizen Potawatomi's larger economic development goals."<sup>32</sup> In addition to its collaborative relationship with the tribe, CPCDC fulfills a unique role as the only Native CDFI serving all Native Americans in Oklahoma and has been very successful in the provision of small business loans and technical assistance to its target market.

**Table 3: Select Native CDFIs — Fast Facts**

Organization Name	Tribe/ Market Served	Financial Service Products	Development Service Products	U.S. Treasury CDFI Fund Certified?
Citizen Potawatomi Community Development Corporation	<ul style="list-style-type: none"> <li>• Citizen Potawatomi tribal members throughout the U.S., primarily in Oklahoma.</li> <li>• Other Native people throughout Oklahoma.</li> </ul>	<ul style="list-style-type: none"> <li>• Microenterprise loans</li> <li>• Small business loans</li> <li>• Tribal employee loans</li> </ul>	<ul style="list-style-type: none"> <li>• Entrepreneurship training and technical assistance/consulting</li> <li>• Financial education and credit counseling</li> <li>• Individual development account (IDA) program</li> <li>• Volunteer Income Tax Assistance (VITA) site</li> </ul>	Yes
Four Bands Community Fund	<ul style="list-style-type: none"> <li>• Tribal members and permanent residents of the Cheyenne River Lakota Sioux Reservation in rural western South Dakota.</li> </ul>	<ul style="list-style-type: none"> <li>• Microenterprise loans</li> <li>• Small business loans</li> <li>• Credit builder loans</li> </ul>	<ul style="list-style-type: none"> <li>• Entrepreneurship training and technical assistance/consulting</li> <li>• Financial education and credit counseling</li> <li>• Individual development account (IDA) program for adults and youth</li> <li>• Youth financial education and entrepreneurship</li> </ul>	Yes
Four Directions Development Corporation	<ul style="list-style-type: none"> <li>• Tribal members of four Maine tribes: Passamaquoddy, Penobscot, Houlton Band of Maliseet and the Aroostook Band of Micmac.</li> </ul>	<ul style="list-style-type: none"> <li>• Housing loans</li> <li>• Microenterprise loans</li> </ul>	<ul style="list-style-type: none"> <li>• Homebuyer education</li> <li>• Entrepreneurship training and technical assistance</li> <li>• Financial education</li> </ul>	Yes
Lac Courte Oreilles Federal Credit Union	<ul style="list-style-type: none"> <li>• Lac Courte Oreilles Ojibway Reservation.</li> </ul>	<ul style="list-style-type: none"> <li>• Savings accounts</li> <li>• New &amp; used auto loans</li> <li>• Small unsecured consumer loans (alternative payday loans)</li> </ul>	<ul style="list-style-type: none"> <li>• Financial education and credit counseling</li> <li>• Individual development account (IDA) program (pending)</li> </ul>	Yes
Salt River Financial Services Institution	<ul style="list-style-type: none"> <li>• Salt River Pima-Maricopa Indian Community Members in Scottsdale, Arizona.</li> </ul>	<ul style="list-style-type: none"> <li>• Housing loans</li> <li>• Microenterprise loans(pending)</li> </ul>	<ul style="list-style-type: none"> <li>• Homebuyer education</li> <li>• Financial education and credit counseling</li> <li>• Individual development account (IDA) program</li> </ul>	Pending



The tribe has invested almost \$1.4 million in CPCDC and the organization has utilized that support to develop an extensive capitalization strategy, seeking to diversify its funding by looking to banks, foundations, government sources, individuals, religious institutions, and other institutional investors. CDFI Fund awards have contributed significantly to the development of CPCDC's strong organizational infrastructure. As of 2006, CPCDC's business loan programs have made 65 loans totaling \$3.7 million, with 90 percent of the loans to Citizen Potawatomi members and 51 loans made in Oklahoma, five in Kansas, three in Oregon, two in Mississippi, two in California, and one each in Missouri and Montana. In 2005, CPCDC began offering a third lending program to employees of Citizen Potawatomi Nation. The program makes emergency loans and provides financial education, including one-on-one counseling, monthly workshops, and credit counseling. In the first two years, the program made 298 loans totaling \$220,176.

To complement its lending programs and support the success of its lending clients, CPCDC offers a range of development services. These include business development services, general financial education and free tax preparation services. Business development services are offered through group workshops and one-on-one technical training. In 2005, the CPCDC provided more than 600 hours of business training to 267 Native clients. This included 140 hours of direct, one-on-one consultation to Native Americans in the Citizen Potawatomi Nation regional area, with the remainder offered in small-group settings. Potential borrowers go through an initial consultation visit to identify needs and to prepare a customized plan of action. Through one-on-one consultation and workshop instruction, participants then learn how to prepare a business plan, obtain financing,

set up a bookkeeping system, conduct market research, prepare effective advertising, contract with government entities (tribal, federal, and/or state), and understand legal issues. Before applying for a commercial loan and upon loan closing, CPCDC's staff provides intensive technical support to assist the borrower in developing a strong, viable business. Throughout the process, CPCDC staff are engaged and supportive to ensure the client has the highest possible chance of successfully developing or expanding their business.

#### ***Profile 2: Four Bands Community Fund – A Place to Grow for the Entire Reservation***

The plan for Four Bands Community Fund (Four Bands) was developed late in 1999, and it incorporated in 2000 with a mission of providing lending, training, and technical assistance to the Cheyenne River Reservation in rural western South Dakota. Four Bands is a private, nonprofit, 501(c)(3) revolving loan program that was certified by the CDFI Fund in 2001. The development of Four Bands was part of an original five-pronged effort (as of this date, the loan fund is the only one of the five to move forward) of the tribe's economic development committee and planning department with logistic support from the FDIC and other task force members. This joint development effort allowed the point person on the project (who eventually became the first executive director) to research and develop the market, create the organizational documents, and do the initial fundraising with the blessing and support of the tribal council and task force members, ensuring separation from the tribe but integration into the community as a whole. Four Bands has become a catalyst for change in the community and present executive director, Tanya Fiddler, recently won the SBA's minority business advocate award for the state

of South Dakota, as well as the region. This is especially noteworthy for a Native CDFI serving a reservation roughly the size of Connecticut with unemployment and poverty figures that are some of the worst in the country.

Four Bands' programs and services focus on the development of private businesses for the reservation, with a micro and small business loan product linked to business training and consulting, as well as financial education and advocacy work in the community. Over the past three years Four Bands has deepened and broadened its assistance in the community to add youth financial education and entrepreneurship development, youth and adult Individual Development Account programs, a "credit builder" loan product, chamber of commerce development, a joint arts & culture exchange program with the state, and much more. Four Bands' program and product development is guided by "*Icahya Woecun*," a Lakota model that translates as "the place to grow." As stated on its website, the model "applies the Lakota tradition of movement in a circle with a beginning and an end, and yet is never ending. And it is based on the sacred number four: four directions (north, south, east, and west), four elements (earth, fire, air, and water), four seasons (winter, spring, summer, and fall), four races (red, black, white, and yellow). Four Bands combines '*Icahya Woecun*' with the wisdom of best practices for expanding businesses and offers strategic business development services in four directions: educate, finance, incubate, and advocate."<sup>33</sup>

**Profile 3: Four Directions Development Corporation  
— Building Partnerships for the Native People of Maine**

Four Directions Development Corporation (Four Directions) was founded in 2001 with the intention of improv-

ing the housing situation for Native people in Maine. Four Directions now serves members and families of the four Native American Tribes in Maine: the Passamaquoddy Tribe (representing two reservations), the Penobscot Indian Nation, the Houlton Band of Maliseet Indians, and the Aroostook Band of Micmac Indians. Four Directions Development Corporation was conceived to respond to the particular credit and information needs of tribal members in Maine and is governed by a 15-member board of directors, with representation from the four tribal communities, as well as Maine's banking, housing, and economic development sectors. The mission of the Four Directions Development Corporation is to improve the social and economic conditions of the tribal members of the four Maine tribes by investing in affordable housing, tribal business ventures and small- and medium-size businesses. Most tribal members and territories are concentrated in Aroostook, Penobscot, and Washington counties, which are some of the state's poorest and most remote places. Already limited opportunities for homeownership, home improvement, and self-employment in these areas are further constrained by tribal land restrictions and the limited credit histories and low financial literacy of many tribal members. Four Directions Development Corporation was conceived to respond to the particular credit and information needs of tribal members. Their goals are to:

- Increase homeownership among tribal members.
- Improve the quality of housing for Native peoples.
- Increase the number of Native-owned businesses.
- Raise the levels of financial literacy among tribal members.

**“The idea is that we do a simple, low-cost loan so our people won’t have to go to a pawn shop or a payday lender or a check cashing store.”**

- Build the business skills of Native entrepreneurs.
- Attract and leverage capital to Indian Country.

The leadership at Four Directions, in particular Susan Hammond, the founding executive director, worked to include all the tribes and develop a coordinated effort as the first and only Native-run community development corporation serving the whole state. For these efforts and its ongoing success, Susan Hammond was awarded the first ever Visionary Leader Award for Outstanding Achievement at the third annual Native Financial Institution Convening Award Ceremony in Washington, D.C. in October 2006.

Since 2001 Four Directions has built a portfolio of over \$2 million in housing and small business loans, and a diverse network of Native and non-Native partners ranging from bankers to Quakers. On recommendation from First Nations Oweesta Corporation,

Four Directions joined a new effort in 2005 known as the Triple Bottom Line Collaborative, a learning network designed to bring in the environmental aspect of lending and join it with the financial and social (double bottom line) aspects of the CDFI movement. Four Directions and its staff have committed to this experiment and have already shared it with the Native communities throughout the state. Another unique partnership at Four Directions involves the Giving Winds Campaign to raise private funding for housing and business development in Native communities through Four Directions. The Maine Council of Churches, who opposed casino operations for the tribes, but not pure economic development, became a partner in this campaign after the statewide defeat of the referendum on tribal casinos. Through extraordinary

leadership by Susan Hammond and Four Directions, the Council was enlisted to help target its members and congregations and nearly \$700,000 was raised in this manner. These funds became part of the pool of development dollars invested in the all of the Native communities in Maine and helped connect the Native and non-Native residents in a common task that is helping change the landscape for Native people in Maine.

#### **Profile 4: Lac Courte Oreilles Federal Credit Union – Bringing the Basics to the Reservation**

Chartered in 2001, the Lac Courte Oreilles Federal Credit Union (LCOFCU) in Hayward, Wisconsin serves the Lac Courte Oreilles Ojibwa Reservation with basic bank account provision and small consumer loans (secured and unsecured). LCOFCU was certified by the CDFI Fund in 2002 and has been adding services like financial education and financial management outreach to schools, as well as preparing to develop an Individual development account program. LCOFCU was created because tribal members and others living on the reservation did not have access to basic financial services, and its initial market research demonstrated that there was a great need for financial products as well as basic financial education training. As a result, LCOFCU built a credit union that addressed the building blocks of financing in the community.

The average loan at Lac Courte Oreilles Federal Credit Union is just \$600, well below the minimum that other local financial institutions are willing to lend. But these small loans have a big impact. “The idea is that we do a simple, low-cost loan so our people won’t have to go to a pawn shop or a payday lender or a check cashing



store,” says LCOFCU’s president, David Fleming. “If they keep coming in our door, we keep exposing them to more and more financial education, and, hopefully, we start to keep more wealth in our own community.”

In 2006, over 22 percent of LCOFCU’s total loan portfolio was in anti-predatory loans. In addition to the direct efforts at building community knowledge and skills in financial management and providing better alternatives to high interest predatory lenders, LCOFCU has, like most credit unions, provided a sense of belonging and ownership for the credit union membership, especially tribal members. Creating relationships with a financial service provider and giving community members a “piece of the pie” through learning the credit union ownership method has developed long-standing bonds that will only grow in a community that has looked for this connection.

**Profile 5: Salt River Financial Services Institution  
— Continuing the Strategic Efforts of the Tribe**

In April 2006, the Salt River Pima-Maricopa Indian Community launched the Salt River Financial Services Institution (SRFSI) to be a one-stop lending and technical assistance entity for the entire Salt River Community. This new institution was designed to provide vehicle, personal, business, and mortgage lending, along with the training and technical assistance necessary to meet the needs of the community and create demand for the full line of products and services at SRFSI. SRFSI grew out of the impressive work of the Salt River Housing Division, which had pioneered several of the financial education programs now being offered at SRFSI. Indeed, this team effort led to staff from the Housing Division joining the new institution to continue the work

that had already been started. This included employees in the Resource Development Department, consisting of the home construction coordinator, mortgage officer, records specialist and housing assistant. SRFSI continues the strong financial education programs previously offered at the Housing Division, including a “Homeownership Academy” program and individual development account program, as well as the homebuyer education, business training, and general consulting and community assistance.

Located on the Salt River Pima-Maricopa Indian Community’s reservation, which is adjacent to the affluent community of Scottsdale, Arizona, SRFSI continues to expand their operational reach. Part of the ability of SRFSI to make these growth jumps stems from the financial support of the tribe itself. SRFSI learned from the in-depth consulting and training it had received that most of these start up Native CDFIs have a long initial period of fundraising and that capitalizing the entity up front would jump start the process. While SRFSI has raised other money, when the tribe created the ordinance that codified this not-for-profit entity under section 7871 of the tax code, they did so knowing they wanted to invest tribal dollars and transfer certain aspects of operation to the new separate entity. Similar to the way Citizen Potawatomi Community Development Corporation was chartered, the Salt River Financial Services Institute saw the advantages of chartering SRFSI as a not-for-profit entity using tribal law, while at the same time clearly separating the institution from the tribe. The Salt River Tribal Council and the staff of the Housing Division understood the benefit of separating the institution for the certification requirements of the



CDFI Fund and the good governance of the not-for-profit organization, but keeping its connection to the tribe and the broader economic and community development efforts of the tribe. SRFSI credits the interaction with Citizen Potawatomi Community Development Corporation in its formation and corporate structure.<sup>34</sup>

Since October 2006, SRFSI has made eight loans to community members, seven of them to homeowners and one to a business owner.<sup>35</sup> SRFSI has taken the next step in Native CDFI development and submitted its certification application to the CDFI Fund where the decision is pending. In March of 2007, Karen LaFrance became the first executive director for SRFSI, leaving the executive director position at Neighborhood Economic Development Corporation (NEDCO), a certified CDFI serving the Phoenix area. SRFSI plans to introduce new loan products and services to the Salt River community, including personal and vehicle loans through a partnership with TruWest Federal Credit in the coming year. SRFSI has already begun to offer tailored business training that complements the Homeownership Academy already in place.<sup>36</sup>

### Successful Strategies for Native CDFI Development



The profiles of Native CDFIs provided above demonstrate a number of key strategies that support the success of Native CDFIs. Those strategies are:

- A shared vision with the community they serve.
- Strong partnerships that support their work.
- Customized training, technical assistance, and lending to ensure client success.

We explore these themes in greater detail below.

### Shared Vision with the Community They Serve

Many Native CDFIs, including those outlined in the profiles, attribute their success to the alignment of their goals with the larger goals of their communities and nations. This often involves a close and cooperative relationship with the tribal government (as evidenced at Citizen Potawatomi, Four Directions, and Salt River). Kristi Coker from Citizen Potawatomi Community Development Corporation points out that one of the most exciting elements of the Citizen Potawatomi Community Development Corporation's success has been the manner in which the Citizen Potawatomi tribal government has nurtured and supported it: "The Citizen Potawatomi tribal government's willingness to sponsor and support a Native American CDFI, while at the same time granting its Board of Directors the autonomy and authority to make independent, non-political loan decisions is a huge leap of faith. It is a leap that will yield huge benefits over time. By allowing such institutional independence, the tribe has gone a long way in building their community's capacity to manage increasingly complex institutions that will contribute to its economic growth and sustainability."<sup>37</sup>

More recently developed CDFIs seem to be learning from the experience of more established Native CDFIs. The recently launched Salt River Financial Services Institution (SRFSI) is an activity firmly supported by the tribal government. Staff of SRFSI note that the tribe has a vested interest in the success of the SRFSI because it "keeps money in the community to work for the community."<sup>38</sup> The tribal council views the SRFSI's financial education and lending programs, recently transferred from the Housing Division, as key community and economic

development strategies that are helping to strengthen the well-being of Salt River Pima Maricopa Indian Community and Nation. The strong working relationship that the Tribal Council and SRFSI have with one another helps to guarantee that the SRFSI's program needs are being met so that the SRFSI can best meet the needs of both the citizens and the nation. The fact that SRFSI is offering programs that have a proven track record of success, with existing community support, and an interest within the community in learning and education, provide a strong foundation for the success of the SRFSI.

While most of the Native CDFIs highlighted in the profiles were tribal/community specific, there are Native CDFIs that do not have a specific link to a single Native community. One example in our profiles is Four Directions that brought the four Maine tribes together. Another example of this is the California Native Entrepreneurs Opportunity Fund, an emerging Native CDFI located in Sacramento, California that plans to work with numerous tribal governments around the Sacramento County area and within San Diego County. Its parent organization, California Indian Manpower Consortium (CIMC), has been working with many tribes throughout the state since 1978. The Affiliated Tribes of Northwest Indians (ATNI) have a CDFI Fund certified Revolving Loan Fund Native CDFI through their Economic Development Corporation that continues to serve tribes, tribal corporations, and tribal members in the northwest states with technical assistance, training, and lending.

It helps to have a strong link with a tribal government, but such a relationship is not a deal breaker to Native CDFI success. Some communities, and the tribal governments that lead them, are so beset by the daily challenges of meeting basic needs that it is difficult to go beyond reactive solutions to embrace the proactive

changes that can be stimulated by CDFIs. It often takes the commitment and leadership of Native CDFIs to make the case for the transformation that can occur as a result of their activities. Many Native CDFIs that have been in operation for several years are only just seeing a strong commitment to their activities by their tribal governments. As successful business owners hire fellow citizens and talk with (and vote for) their tribal leaders, the need to support the CDFI's activities becomes increasingly clear.

Whether a Native CDFI serves a single Native community or is a multi-tribal entity, a positive working relationship with Native leaders and a shared vision with the community is a key component of their success. While a strong working relationship with tribal leaders is desirable, many Native CDFI leaders caution against relying too heavily on tribal support or placing too high a price on that support. It is important for Native CDFIs to diversify their partnerships and capitalization strategies in case support from tribal government (or other funders) is not forthcoming. In Hawaii and Alaska these partnerships may become even more important to negotiate non-reservation/non-council government operations and organizations, vast distances, and culturally/geographically/demographically diverse Native populations. As we outlined above, it is also possible (and sometimes necessary) to develop support from the government and other partners through proven success of existing Native and non-Native CDFI activities over several years.

#### ***Strong Partnerships that Support Their Work***

As the First Nations and First Nations Oweesta Corporation partnership and the local profiles illustrate, a strong partnership network has been a key factor in the development and success of Native CDFIs. First Nations Oweesta Corporation's partnership-based programs

work together to meet the training and technical assistance needs of Native communities. Through the Native Communities Financing Initiative (NCFI), the Native IDA Initiative (NIDAI), the Native Financial Skills and Enterprise Initiative (NFSEI), the Native Financial Education Coalition (NFEC), and various research and advocacy undertakings, First Nations Oweesta Corporation is working closely with tribes, the CDFI Fund, nonprofits, and other stakeholders throughout the country to successfully meet the needs of Native communities and Native CDFIs.

Partnerships can also be critical to the successful launch of Native CDFIs. Through one of its earliest partnerships, SRFSI invited the executive director of the Citizen Potawatomi Community Development Corporation to explain to the Salt River Tribal Council the impact a Native CDFI had on their community and, most importantly, how the transition of resources and programs to the new CDFI entity took place out of the tribe's operation. This perspective on the process and success of Citizen Potawatomi Community Development Corporation led to successful passage of a resolution of support for the creation of the Native CDFI at Salt River. Citizen Potawatomi Community Development Corporation has provided technical assistance advice to over 10 emerging CDFIs, and plans to continue this work in the years to come. As Kristi Coker states, "The leadership of the Citizen Potawatomi Nation has exhibited great foresight and leadership in adopting an innovative and empowering model of economic development. Their daring and courage provides a great example for other Native communities to emulate and follow."<sup>39</sup>

While many tribes are located far from urban centers and might not necessarily have access to a strong local network of partners (or partnerships with other Native

CDFIs), partnerships can be developed throughout the country with a host of people and organizations willing to share their knowledge and expertise. Training programs like the *Native Community Financing Initiative* offer an introduction to the various uses of Internet technology, conference calls, and other technologies to provide training and technical assistance to remote communities seeking to develop a CDFI. Furthermore, the development of tools and online communities like Our Native Circle ([www.ournativecircle.org](http://www.ournativecircle.org)) and Circle Up, the associated listserv, facilitate networking and partnering among Native CDFIs, community development practitioners, funders/investors, and others engaged in this work. The Wind River Development Fund (WRDF), located in the foothills of the Wind River Range in Ft. Washakie, Wyoming, on the Wind River Reservation is one example of a Native CDFI located in a remote area, which has developed an extensive partnership network including national Native and non-Native nonprofit organizations, tribal programs, regional nonprofits, financial institutions, private funders, and government funders. In our profiles above we saw Native CDFIs partnering with banks, churches, tribes, credit unions, colleges, federal programs, and other CDFIs, to name just a few. A strong partnership network not only helps Native CDFIs lighten their load with regard to service delivery, it also represents a network that serves to strengthen and support Native CDFIs through shared insights and resources.

#### ***Customized Training, Technical Assistance, and Lending to Ensure Client Success***

The profiles demonstrate a consistent theme across the range of services offered by Native CDFIs. Whether describing the range of loan products, development ser-

vices (like financial and entrepreneurship education), or complementary services (like IDAs and tax preparation), all of the Native CDFIs demonstrate the importance of tailoring their services to meet the unique needs of their community.

As described in the financial management skills chapter of this report, a common feature of the community-based use of First Nations' *Building Native Communities* curriculum is that instructors adapt it, and sometimes supplement it, with other curricula to meet the specific cultural context and educational needs of their community. This practice is also common among Native CDFIs that focus on entrepreneurship development. As mentioned earlier in the chapter, California Native Entrepreneurs Opportunity Fund is an emerging Native CDFI whose parent organization, California Indian Manpower Consortium, has provided Native entrepreneurship training to 100 clients since 2001. California Indian Manpower Consortium's Native entrepreneur training was designed as a 200-hour course held in four multi-day workshops in four regions of California. One hundred hours are spent in class where all aspects of business formation, planning, management, and financing theory and practical exercises are presented by the best trainers in the field, most of them Native people. Faculty includes Native entrepreneurs, bankers, e-commerce and marketing specialists, financing specialists and government guarantors, and Small Business Development Center staff. An additional 100 hours are spent on homework assignments and on preparing a business plan adequate to present to a lending institution for financing a small business start up or expansion. California Native Entrepreneurs Opportunity Fund will work closely with California Indian Manpower Consortium to provide these entrepreneurship trainings in the future and to offer participants in these trainings the

opportunity to apply for loans best suited to meet their needs as entrepreneurs.

The range of services offered by Four Bands (as outlined above) includes comprehensive business training through the Cheyenne River Entrepreneurial Assistance Training and Education (CREATE). CREATE deals with topics related to starting and growing a business in a remote, economically distressed reservation community through the vision of their "*Icahya Woecun*" model for development on Cheyenne River. The curriculum has also been utilized to develop targeted services, like their youth entrepreneurship program.<sup>40</sup> Four Bands' attention to meeting the specific needs of tribal members is highly developed. They have tailored their loan products, financial education programs, and resources to meet the needs of entrepreneurs residing on the reservation and to ensure that those entrepreneurs will contribute to the overall growth of the reservation economy.

Another example of the development of community-specific curriculum is Wind River Development Fund's SAGE (Strengthening and Growing Native Entrepreneurs) curriculum, a 10-week, 50-hour business planning course designed specifically for entrepreneurs on the Wind River reservation. Through SAGE, topics such as marketing in a rural community, pricing, cash flow projections, setting business goals, business structure, and tax and licensing issues are taught to participants through the lens of the unique culture, experience, and needs of tribal members. Upon completion of the course, participants will have acquired a range of important skills and successfully developed their business plan. The course is offered three times per year and completion of the course is required for all new businesses wanting to apply for a loan from the Wind River Development Fund's revolving loan program. In addition to the

business-specific classes, Wind River Development Fund requires attendance at financial education classes for all entrepreneurs applying for a loan. This strategy enhances entrepreneurs' knowledge and skill base and increases the likelihood that entrepreneurs will pay back their loans and be able to secure more loans with Wind River Development Fund and other financial institutions in the future.

Conducting a market analysis has become a key piece of the development checklist related to Native CDFIs and it is this step that helps the organizing individuals/entities truly determine the difference between general need in the community (which is often great and involves many aspects as noted above) and the demand for potential loan products. This demand is documented through surveys, interviews, and a wide variety of secondary data that help determine the conditions for the development of the Native CDFI and its products and programs in that particular community, specifically what kind of loans are needed in the community and at what level. These loan products are also linked to one or more types of technical assistance and training the organization and/or its partners may provide. Native CDFIs, including those we have profiled, also adapt their loan products as they mature and receive feedback from their clients and the community. Four Bands started with two types of business loan products based on its original market analysis, but five years later added a credit builder loan because it realized how important credit repair and basic personal financial management were to the success of its clients. Citizen Potawatomi Community Development Corporation was guided in the development of its original loan products by its market analysis, but soon realized the demand for a small consumer or emergency loan, which it made available to all tribal employees. As with the other organizations, programs, and tools highlighted throughout this report,

Native CDFIs are most successful when they plan to be proactive by researching ahead of time and reactive by listening to their customer base and community.

These examples demonstrate the common practice among Native CDFIs of developing and implementing community-specific tools and, as the Native CDFI industry grows, the products and services continue to be innovative and unique. The success of these tools demonstrates both the wisdom of the strategy and the critical role played by Native CDFIs in the economic health of individual Native communities.

## Conclusion

The Native CDFI movement parallels, in many ways, the overall asset-building and enterprise-development efforts that have come to Native communities throughout the country, which are addressed in detail in this report. Through an exercise and exertion of individual and group economic sovereignty, Native communities have successfully used the proven and effective CDFI model to act as a catalyst for a wide variety of programs and services that address the needs and demands of the individual community. By offering an institutional structure separate from the tribal government, CDFIs contribute to the development of civil society in Native communities. Native CDFIs, by providing access to financial services, training and technical assistance, and role models for entrepreneurship development, are a critical part of developing an enabling environment for economic growth on Indian reservations. In examining the movement and highlighting the individual Native CDFI profiles, it is clear that Native CDFIs often create a spearhead for the Native community's private asset and wealth creation and are an important part of a larger community economic development strategy. It is also

apparent that the development of the Native Initiatives area of the CDFI Fund after the Native American Lending Study and the ensuing grant and contract programs have contributed to the growth and stabilization of the Native CDFIs tremendously. This “first in” support of the Native CDFI effort also acted as a catalyst for other federal, state, and local government programs that are helping fund and assist the Native CDFIs and has triggered interest from the banking, investing, and foundation world (including First Nations’ Little Eagle Staff Fund) that might not have occurred without the Native CDFI movement. Throughout the country, small and large communities, Native and non-Native alike, are seeing the benefits of developing strong, stable Native CDFIs to delivery financial and development service products uniquely tailored to the local environment.

No two Native CDFIs are alike, nor are their products, services, customers, or communities – and that is why the institutional and program development researched and highlighted in this chapter paint a picture of hope and determination for the Native communities engaged in this work. Native CDFIs and their founding tribes, organizations, and individuals will continue to add to the variety in the coming years and the lists of examples given in Table 1 will only continue to grow with each new Native CDFI. There will always be challenges to the work of the CDFIs in Native communities. Indeed, there will still be challenges to developing Native CDFIs, but there is now more than a beginning and the lessons are not lost for the next generation of Native CDFIs.

### Endnotes

- <sup>1</sup> Egan-McKenna and Gabriel 1991.
- <sup>2</sup> Yunus 2006.
- <sup>3</sup> Dewees 2004, p. 5.
- <sup>4</sup> The CDFI Fund is a government agency, within the U.S. Treasury Department, that provides funding to individual CDFIs and their partners.
- <sup>5</sup> CDFIs include loan funds, banks or thrifts, credit unions/associations, depository institution holding companies, and venture capital institutions.
- <sup>6</sup> Dewees 2004.
- <sup>7</sup> Dewees, 2004.
- <sup>8</sup> Elsie Meeks, quoted in Baue 2005.
- <sup>9</sup> Elsie Meeks, quoted in Baue 2005.
- <sup>10</sup> Cornell and Kalt 199, p. 8.
- <sup>11</sup> Dewees, 2004.
- <sup>12</sup> Dewees 2004.
- <sup>13</sup> Oweesta website 2006.
- <sup>14</sup> Oweesta website, 2006.
- <sup>15</sup> Miriam Jorgensen 2006.
- <sup>16</sup> Anderson 2001.
- <sup>17</sup> CDFI Fund 2001, p. 14.
- <sup>18</sup> CDFI Fund 2001, p. 2.
- <sup>19</sup> First Nations Development Institute 2005, p. 74.
- <sup>20</sup> CDFI Fund, Native American Initiatives Program, 2006.
- <sup>21</sup> CDFI Coalition. 2006, pp. 10-12.
- <sup>22</sup> CDFI Fund, Historical Award Database, 2006.
- <sup>23</sup> Please see IDA chapter in report for further information on IDAs.
- <sup>24</sup> Please see Native entrepreneurship chapter for more information on Native entrepreneurship efforts.
- <sup>25</sup> Dewees 2004; First Nations Development Institute 2005.
- <sup>26</sup> Elsie Meeks 2006.
- <sup>27</sup> Oweesta, NFI Research Project, 2005, pp. 3-4.
- <sup>28</sup> NACCA 2005.
- <sup>29</sup> For more information see <http://ncaiprc.org/>.
- <sup>30</sup> Elsie Meeks 2005.
- <sup>31</sup> NACCA 2005.
- <sup>32</sup> Coker, Kristi, E-mail Correspondence, September 27th, 2006.
- <sup>33</sup> Four Bands website, <http://www.fourbands.org/programs.htm>.
- <sup>34</sup> SRFSI website, <http://www.saltriverfinancialservices.com>.
- <sup>35</sup> SRFSI website, <http://www.saltriverfinancialservices.com>.
- <sup>36</sup> SRFSI website, <http://www.saltriverfinancialservices.com>.
- <sup>37</sup> Coker, Kristi. E-mail correspondence. September 26<sup>th</sup>, 2006.
- <sup>38</sup> Deer, Lisa. Phone Interview. August 9, 2006.
- <sup>39</sup> Coker, Kristi. E-mail correspondence. September 26<sup>th</sup>, 2006.
- <sup>40</sup> Four Bands website, <http://www.fourbands.org/programs.htm>.

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# CHAPTER 7: NATIVE ENTREPRENEURSHIP

## Transforming Economies: Entrepreneurship in Native Communities

*“Small businesses are the backbone of any economy.”*

*- Native American business owner*

### Introduction

Approaches to entrepreneurship and enterprise development in Native communities are as diverse as the communities themselves. There are over 560 federally recognized tribes in the United States, with populations ranging from a few hundred people to nearly 200,000. Some tribes own a large land base, the most notable being the 17-million-acre Navajo Nation, and others only own a few acres of ancestral homeland. The geography of federally recognized Indian tribes also differs – some tribes, such as the Salt River Pima Maricopa, have a reservation very near a large metropolitan area, and other tribes, such as the Turtle Mountain Band of Chippewa Indians, are located in very remote rural areas, isolated from markets and services. Still other reservations, such as the Flathead Reservation of the Salish and Kootenai bands, are challenged by a large non-Native population residing on the reservation who dominate the local private economy. Furthermore, the presence, amount, and ownership of tribal and individual trust land on a reservation has a direct bearing on the ability of individuals to use land for collateral or find a building to house their business. In addition to the federally recognized tribes, there is great diversity in the Native people of Alaska, Hawaii, and the non-federally recognized and state-recognized tribal communities – all of whom bring unique cultural, geographical, economic, and social variables of their own into the mix.

The opportunities and challenges associated with entrepreneurship development in Native communities are complex and multifaceted. Many acknowledge that entrepreneurship and microenterprise development holds great promise for community development in Native economies, no matter their location. Research suggests that it is an effective poverty-alleviation strategy for low-income populations, and that it is successful in raising incomes and reducing reliance on federal





## Transforming Economies: Entrepreneurship in Native Communities

assistance.<sup>1</sup> Specifically, in reservation-based communities, scholars have noted that entrepreneurship also represents an important part of civil society development – the emergence of a private sector as an alternative to the historical dominance of a public sector and command economy.<sup>2</sup> But the challenges to entrepreneurship development in these communities are numerous. The list of barriers includes lack of access to capital, lack of individual experience with money or business management, lack of entrepreneurship education, and lack of access to technical assistance at a business center or similar institution.<sup>3</sup> In addition, many Native or reservation-based communities face obstacles that are not found in any other community in the United States, even in the most remote rural areas. These unique challenges include a lack of personal or community collateral for loans due to the trust status of land, and a legal and political environment that often does not empower or protect the private business owner.<sup>4</sup>

Entrepreneurship development is an important part of an integrated asset-building strategy and a Native community's overall economic-growth strategy. Building upon local institutions such as Native community development financial institutions (Native CDFIs), tribal colleges, and business assistance centers, using tools ranging from financial education to business planning to credit counseling to Individual Development Accounts (IDAs),<sup>5</sup> entrepreneurship is providing a growing contribution to asset development in Native communities. A healthy Native economy is one where the majority of market demand for services is met by Native-owned businesses, and Native families thrive on the revenues from assets earned and leveraged in the form of small businesses. The presence of Native-owned businesses in a community leads to a "virtuous circle" of community investment in a vibrant private sector economy that contributes to

a culture of entrepreneurship and ultimately contributes to the economic well-being of all community members broadly. The presence of individually or privately owned businesses also supports the growth of any existing or planned tribal government operations, corporations, or profit-generating programs. Support services, vendors, suppliers, and a myriad of contractors can all create a foundation for larger Native-owned and operated concerns, while also contributing to the dollar turnover within the community. Underlying all this is a strong foundation in financial management skills at the individual and corporate level, which are the building blocks for all community economic development efforts.

This chapter will provide an overview of the unique conditions found in Native communities across the nation, and the impact these conditions have on entrepreneurship development. While each community is different, and represents a different set of historical, cultural, and economic conditions, some common themes emerge. It is only by understanding these themes, and their impact on entrepreneurship development, that an effective entrepreneurship development strategy and/or system can be created to serve each unique Native community in a customized, culturally appropriate way.

### Methodology

This chapter draws upon a review of all major literature on Native and rural entrepreneurship development. In addition, this chapter draws from interviews conducted with small business owners, business instructors, tribal college students, and political leaders in nine reservation communities in the fall of 2004. Site visits were also made to 35 reservation-based businesses. Interviews

were conducted with over 115 people, including 40 business owners, 59 students or former students, 34 instructors, and 29 key informants – including tribal government representatives and directors of loan funds in communities (numbers do not add to 115 because some former students were also key informants or business owners). The qualitative and quantitative data and findings from this research are presented throughout this chapter. In addition, this chapter will draw upon over 20 years of field work with Native communities.

### Entrepreneurship Development in Native Communities

The potential that entrepreneurship development represents is by now well documented. Many have argued that supporting locally grown small businesses is the best model for rural economic revitalization, because locally grown businesses are more loyal to the local community, represent an affordable model of job creation, and make use of available talents.<sup>6</sup> Entrepreneurship development is appropriate for Native communities because it represents a way in which to “plug the leaks” in the local economy, promote economic development through individual empowerment, move away from the dependency model that was fostered by 400 years of misguided federal policy, and stimulate private sector development in what was previously a one-sector economy.<sup>7</sup> Furthermore, it is argued, tribal governments are well suited to use their tribally owned enterprises and command economy to support small business owners to provide ancillary services for gaming, natural resource, or other industries.<sup>8</sup> Entrepreneurship development is also a key strategy for increasing asset control and asset development in Native communities – whether this is increasing access to financial assets, developing

institutional assets like small businesses in the community, or leveraging existing assets in a way that promotes self-sufficiency.<sup>9</sup>

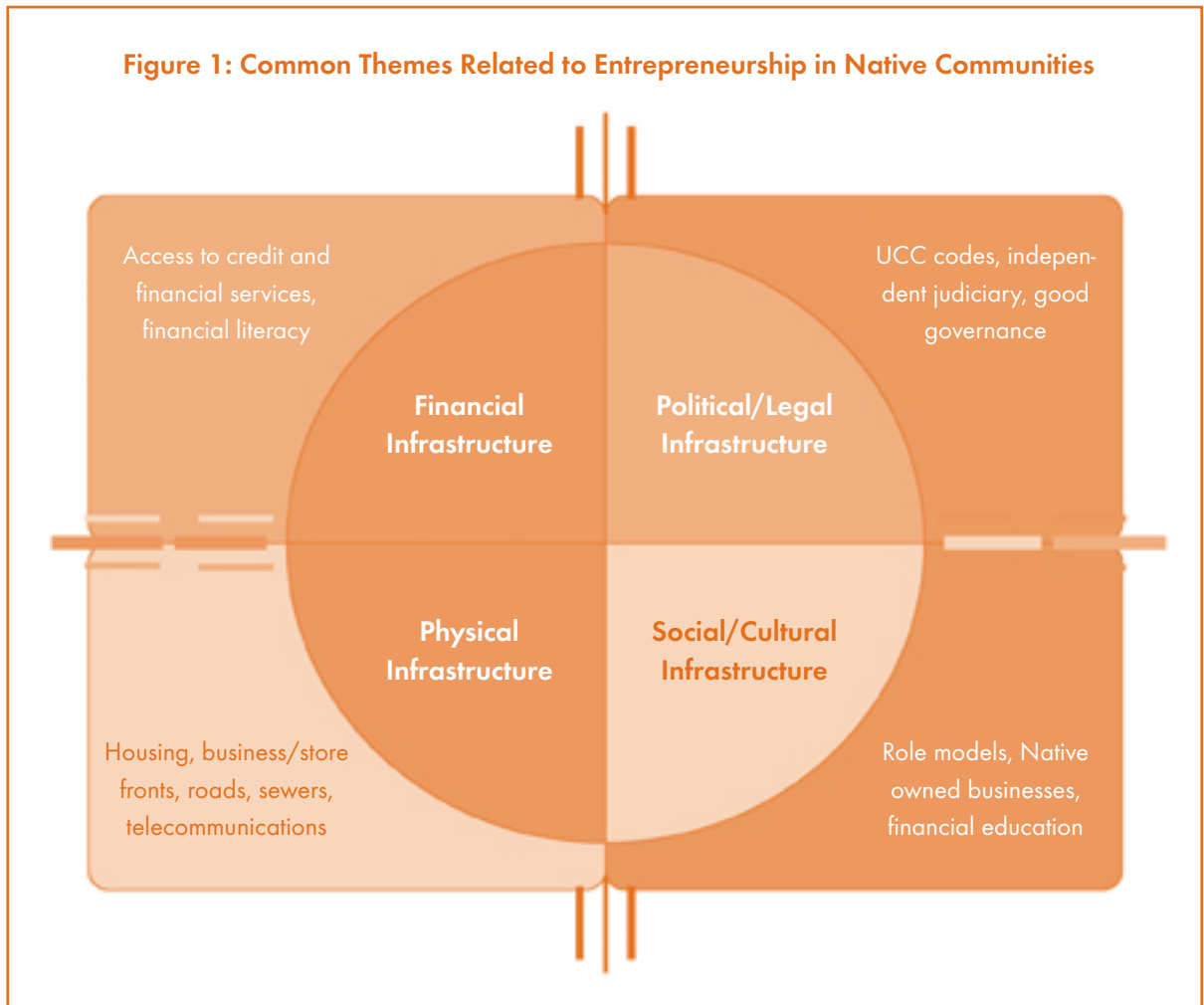
Recent research has documented the impact of entrepreneurship development in promoting job creation in Native communities. An evaluation of five Native CDFIs in 2003 revealed that small business lending combined with technical assistance resulted in the creation of 44 jobs in three reservation communities.<sup>10</sup> A recent evaluation of a tribal college business education program suggests that 10 years of investment in tribal college scholarships for business education contributed to the creation of 93 new businesses and the equivalent of 113 full-time jobs in nine reservation communities.<sup>11</sup>

Despite the tremendous diversity of Native nations and their environments for entrepreneurship development, some themes emerge when analyzing the key opportunities and challenges faced by these communities as they pursue entrepreneurship development strategies. While some communities may encounter very few of these opportunities or challenges, other communities may encounter many of them. Each community is different, and there is no “one size fits all” model to describe the conditions in Native economies, whether they are on a large reservation in South Dakota, a small village in Alaska, or a Native Hawaiian Homelands community. However, there are some unique issues that characterize many of these communities, and an overview is provided here. These opportunities and challenges can be organized into four main categories: *Financial Infrastructure*; *Political/Legal Infrastructure*; *Physical Infrastructure*; and *Social/Cultural Infrastructure* (see Figure 1). The category *Financial Infrastructure* covers a range of issues related to access to capital and financial services, and the category *Political/Legal Infrastructure* includes the

political environment and its support of entrepreneurship. The category *Physical Infrastructure* pertains to the state of roads, buildings, and telecommunications infrastructure. The category *Social/Cultural Infrastructure* includes a range of issues related to social norms, community expectations, the presence of business role models, and how these affect the climate for entrepreneurship in the community.

This chapter will explore the challenges and opportunities that face Native communities in each of these areas. While many Native communities face unique challenges, many communities are also implementing their own innovative entrepreneurship development models and are identifying unique opportunities within their communities. These models represent promising practices for other communities to study and learn from.

**Figure 1: Common Themes Related to Entrepreneurship in Native Communities**



## Ongoing Need: Challenges Related to Entrepreneurship Development in Native Communities

Native communities face a range of unique challenges when trying to stimulate entrepreneurship and private business ownership. Because of their unique political, legal, and cultural history, many tribes and Native communities face hurdles not found in other communities. Table 1 provides an overview of these challenges.

### A. Challenges Related to the Financial Infrastructure of Reservation-Based Communities

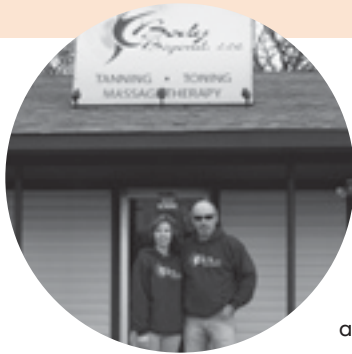
Native communities face many barriers related to the lack of access to credit and financial services.<sup>12</sup> The most significant of these is lack of access to credit for individual business owners. The reasons for this are primarily the inability to use trust land for collateral, poor credit histories, and lack of financial institutions on the reservation. Only recently have banks begun lending to tribal members on some reservations, and problems persist related to inability to foreclose on loans and lack of Uniform Commercial Codes (UCC). In an interview conducted in fall 2004, a former banker and current CDFI director told a story of working for a bank in Green Bay that would not lend to individuals who resided on any of the reservations in northern Wisconsin because of fear of the inability to foreclose on loans. While many tribes have implemented UCC codes and have begun to provide a legal environment that helps enforce foreclosure and banking laws, many banks believe that the risk factor is still too high to provide personal, business, or mortgage loans to reservation residents. Even banks willing to make such loans cannot do so for high-risk, technical-assistance-intense enterprises or individuals

because the banks are closely regulated and often do not have the expertise to work at the local level.

Few reservations and Native communities have financial institutions located on or near their lands, and if there is no CDFI or tribally sponsored loan fund, many individuals have no way to access credit. A related challenge is that many Native communities are plagued by predatory lenders in border towns, which leads to asset stripping (see chapter 2, Financial Education). Finally, the border towns that have sprung up alongside many reservations provide continuing competition for nascent Native-owned businesses competing for limited funds and a limited consumer market.

### B. Challenges Related to the Physical Infrastructure in Reservation-Based Communities

Another challenge facing many reservation-based communities is the low quality of the physical infrastructure. One of the biggest challenges for many Native businesses is simply finding a building to house their business. In many communities, there are very few retail, spec (built on speculation of tenants), or industrial buildings. In addition, the permitting process for leasing existing buildings or constructing a new building is often so challenging as to be prohibitive. Because a great deal of land is held in trust, most entrepreneurs can only lease a building, and there is little incentive for a business owner to invest in repairs, new construction, and other improvements. In some cases, the Gordian Knot of checkerboarded and fractionated land makes it impossible to identify a plot of land upon which to build a building or start a business. Available buildings or land may also be owned by non-Native community members or part of a city incorporation that puts the



best locations in the hands of individuals unwilling and/or unable to work with start up and struggling business owners.

Desperate business owners may agree to inappropriate conditions in leases and the buildings themselves, which slows or damages the ability for the business to grow and prosper.

In addition to a lack of buildings to house businesses, in many tribal communities roads may be so poor as to be impassable many days out of the year. Furthermore, the telecommunications infrastructure in many reservation-based communities is often severely restricted, with access to telephone land line service problematic,

let alone access to the Internet, cell phone reception, or other telecommunication devices. Heavily rural, checkerboarded or mixed-ownership lands may also mean that the improvement or development of sewer and water infrastructure meets roadblocks on ownership, funding, maintenance, and accessibility for such projects – sometimes leaving what would normally be a government function up to Native business owners, thereby increasing their costs of start up or expansion. Finally, the remote location of the reservation means that the population is often spread out in a very large geographic area, and because of this low population density, the cost for the provision of many services is higher than in urban areas.

**Table 1: Challenges to Entrepreneurship Development in Native Communities**

Financial Infrastructure	Political/Legal Infrastructure
<ul style="list-style-type: none"> <li>• Lack of individual access to credit:               <ul style="list-style-type: none"> <li>- No banks or financial institutions on the reservation or in the village or community area, island, etc.</li> <li>- No access to affordable credit.</li> <li>- No access to credit that comes with the appropriate technical assistance.</li> <li>- Inability to use trust land for collateral on loans and misunderstandings on how to make the deals work in these situations.</li> <li>- Lack of credit histories or poor credit.</li> <li>- Bank unwillingness to lend money to residents of a Native community/reservation due to legal challenges related to foreclosure, jurisdiction, courts, and sovereignty/treaty issues.</li> </ul> </li> <li>• Lack of community development financial institutions (CDFIs), business incubators, or other nonprofits dedicated to entrepreneurship education and development.</li> </ul>	<ul style="list-style-type: none"> <li>• Tribal governments not supportive of or empowering private enterprise culture:               <ul style="list-style-type: none"> <li>- Cumbersome legal process related to business start up (for-profit and nonprofit).</li> <li>- Extensive bureaucracy related to permitting, land leasing, titling, etc.</li> <li>- Lack of zoning.</li> <li>- Lack of vision for using larger tribal enterprises to promote small individual private business start ups.</li> <li>- Individuals on tribal councils generally have no experience with private business ownership.</li> </ul> </li> <li>• No legal system on the reservation to protect private enterprise:               <ul style="list-style-type: none"> <li>- No UCC code, commerce code, debt code or foreclosure code.</li> <li>- Lack of independent tribal courts.</li> <li>- Lack of commerce departments or similar functions.</li> </ul> </li> </ul>

Physical Infrastructure	Social/Cultural Infrastructure
<ul style="list-style-type: none"> <li>• Lack of buildings to house private enterprises, or inadequate space and poor quality of structure, if existing.</li> <li>• Existing infrastructure dominated by non-Native communities, population, businesses, or incorporated areas within or near Native areas.</li> <li>• Difficulty of permitting process related to constructing or acquiring buildings or leasing or buying land.</li> <li>• Lack of or poor telecommunications, sewer, water, electric, and/or transportation infrastructure to support enterprise development.</li> <li>• Remote, low-population-dense communities.</li> <li>• Deficit of new and improved housing stock for burgeoning local business sector and Native individuals who would consider moving their existing business back to tribal area(s).</li> <li>• Problems with trust lands:               <ul style="list-style-type: none"> <li>- Fractionation of individual tribal trust lands.</li> <li>- Checkerboarded land ownership structure on reservations.</li> <li>- Lack of ownership opportunities for trust lands means business owners have no incentive to repair or maintain property.</li> </ul> </li> <li>• Dominance of nearby urban/suburban/border town economies.</li> <li>• Presence of predatory lenders.</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of individual experience with money management and business management.</li> <li>• Cultural beliefs that prioritize the sharing of resources with family and community over individual benefit or profit.</li> <li>• Lack of experienced workforce; difficulty finding good employees.</li> <li>• Perception that businesses should be owned by the tribal government for benefit of all.</li> <li>• Large non-Native presence on reservation that coincides with dominance of non-Native-owned businesses.</li> <li>• No culture of formal entrepreneurship:               <ul style="list-style-type: none"> <li>- Few Indian-owned businesses in community.</li> <li>- Lack of role models.</li> <li>- No chamber of commerce or other supportive organizations.</li> <li>- Lack of community support for Indian private business owners (perception that business owners are greedy and do not share their wealth).</li> </ul> </li> <li>• Active informal economy.</li> <li>• Unsupportive BIA office:               <ul style="list-style-type: none"> <li>- Extensive bureaucracy related to permitting, land leasing, and titling.</li> <li>- Unsupportive BIA realty office.</li> </ul> </li> <li>• Large amount of community land in some kind of tribal trust, homeland settlement, village incorporation, etc. and/or lack of privately owned land.</li> <li>• Lack of tribal colleges, business centers, or other institutions to provide business education.</li> </ul>

**“The barriers and challenges concerning land use also negatively affect housing development in Native communities.”**

### **C. Challenges Related to the Political/Legal Infrastructure in Reservation-Based Communities**

As Jorgensen and Taylor of the Harvard Project on American Indian Economic Development state, “...poverty in Indian country is a political problem – not an economic one.”<sup>13</sup> The authors observe that:

*There has been a substantial supply of labor in Indian Country for decades, yet scores of economic development plans have been unable to tap that supply on a sustained basis and thereby improve the futures of Indian households. Likewise, tribes possessing natural or capital*

*resources have not led the vanguard of development. While a lack of resources can hamper tribes, and certain systemic features of Indian Country confound investment (for example, the difficulty collateralizing trust lands), the Harvard Project finds that the real deficiency in Indian Country is a shortage of safe havens for capital. The ability to create these safe havens is largely a matter of tribal politics and institutional effectiveness.<sup>14</sup>*

Many other researchers, community development practitioners, and scholars have identified the challenges related to the lack of an effective legal infrastructure in support of economic development in reservation-based communities.<sup>15</sup> Many businesses, including banks, Native CDFIs, and nonprofits, fear that without an independent judiciary, enforcement of all manner of contracts may be difficult. The lack of zoning regulations, commercial codes, and tax policies present administrative barriers that often scare away potential

investors and/or block the efforts of both local community economic development practitioners and the entrepreneurs they strive to assist.

At the same time, ironically, there is a large federal and sometimes tribal government bureaucracy related to leasing trust land and getting permits for a business. The land leasing and permitting process, mostly controlled by the Bureau of Indian Affairs, is full of arcane legal procedures and complicated requirements. This bureaucracy is a significant challenge to small and large business owners. Many scholars of international development have identified similar challenges associated with bureaucratic and legal barriers to business creation and their negative impact on the development of a formal private sector economy.<sup>16</sup> In many reservation communities, businesses are faced with the worst of both worlds: inadequate tribal legal structures to support business development, and burdensome federal legal structures that hinder land use.

Parallel to and affecting business development, the barriers and challenges concerning land use also negatively affect housing development in Native communities. Without the proper mix of new and existing housing (and streamlined mechanisms for their development and improvement), broader Native community economic development efforts (including entrepreneurship development) suffer. Market studies conducted by First Nations Oweesta Corporation for Native communities considering the development of financing and technical assistance programs consistently highlight the “chicken and egg” tension of having job creation balanced with housing development for growing economies. Often, survey and interview respondents will state their wish for new and improved housing “before I start my business up” or “before I move my business back to the reserva-



tion.” The difficulties with bureaucratized land development only exacerbate these parallel streams of change in Native communities.

While many of these legal barriers have their roots in the archaic federal management of Native communities through the Bureau of Indian Affairs (BIA) and other federal or state programs, other challenges could be addressed directly by local Native leaders, Native nonprofits, tribal councils, sovereignty organizations, and proactive Native umbrella organizations at the regional and national level. In the interviews conducted in fall 2004, a recurring theme was the lack of business experience of most tribal leaders, and their lack of support for development of the private business sector on reservations or in the Native community.

#### ***D. Challenges Related to the Social/Cultural Environment in Reservation-Based Communities***

The social and cultural environment in many Native communities has also been identified as a challenge to entrepreneurship and small business development.<sup>17</sup> While each Native community is unique, and the challenges faced by each community differ, some themes emerge. A theme that emerged from the interviews conducted in fall 2004 was that many small business owners feel a lack of community support for their business. One interviewee described feeling that he was treated “like a traitor” for opening a business, and another spoke of the need to battle the perception that he was rich and selfish for running a for-profit business. Others spoke of battling the “crabs in a bucket” syndrome, which refers to a phenomenon where others do not support an individual’s success, but instead may criticize someone who seems to be “getting ahead” and then try to drag them down

– a theme that appears in other transitional economies throughout the world, especially in former colonies or areas where the private sector was dominated by a certain sector of the community or outside power that stifled local empowerment and individual self-sufficiency. In reservation or other Native communities where there is a large non-Native population, the dominance of the business sector by non-tribal members adds an additional layer of challenges to promoting small business start up.

Many interviewees spoke of the difficulty in challenging the cultural norms in their community that prioritize sharing resources with family and community over individual benefit and profit. One individual who ran a flower and gift shop spoke of the difficulties she faces in asking people to pay their bills after funerals. Others spoke about the persistent belief that the tribal government should control all businesses and operate them for the benefit of all tribal members.<sup>18</sup> Still others spoke about the active informal economy, and the fact that many business owners operate “under the radar” without bookkeeping or paying taxes, a phenomenon that has been well documented.<sup>19</sup> Interviewees also spoke of their belief that there was a “culture of entitlement” that was present for many of their community members, and they mentioned the difficulty they have in finding good employees to staff their businesses.<sup>20</sup> Whether these cultural attitudes are widespread or whether they have a large impact on entrepreneurship development is still subject to debate. However, most practitioners identify the lack of Native-owned businesses, and a dearth of role models in Native communities as a significant challenge to entrepreneurship development. The link between these attitudes and 400 years of misguided social policy that has fostered attitudes of dependence in some tribal members was also acknowledged and discussed in interviews.



Another common theme in the interviews conducted in fall 2004 was the perceived problem of low levels of financial literacy and lack of experience with money management. Many factors contribute to low financial literacy, including fewer role models in families, a lack of access to banking services, a history of poverty, cultural beliefs that value generosity over savings, a history of low levels of financial education, and geographic isolation.<sup>21</sup> The National Credit Union Foundation (NCUF) recently held a summit to identify best practices to serve Native Americans. In a report from that summit, authored by the Native American Credit Union Initiative, the NCUF stated that the majority of the credit unions they surveyed identified low financial education as a challenge for the Native American population they work with.<sup>22</sup>

There is a great need to provide tribal members and tribal leaders with the unbiased, non-commercial, and culturally appropriate information they need to understand the options they have to manage their money. In addition, increasingly all tribal members (especially young professionals) need to learn the skills to manage their financial resources well, and to invest responsibly for their retirement and other needs.

### **Strategies: How to Support Entrepreneurship Development in Native Communities**

Different Native communities, reservations, and tribal nations face different combinations of the challenges described in Table 1 above. Many nations and individual communities have made progress in addressing and remedying a number of these barriers, but they still face other challenges. Some communities, nations, and tribes

are fortunate to face few of these challenges above, but are still restricted by the legal morass related to trust land. While other researchers have clearly documented the political, economic, and social landscape of entrepreneurship development, an effective and culturally appropriate model has yet to be proposed. This model must reflect the prevailing theories on entrepreneurship development, but also be grounded in the practice of entrepreneurship development in Native communities. The uniqueness of each reservation or Native community mandates a unique, culturally appropriate approach to entrepreneurship development in each community. This section will review the literature on rural entrepreneurship development, and then identify some strategies that have been successful in promoting entrepreneurship in Native communities.

#### **A. Rural Entrepreneurship Development**

Many researchers on the topic of rural entrepreneurship have argued that development of rural entrepreneurship involves a two-part strategy:

1. There should be a pipeline for entrepreneurs and
2. There should be enhanced business services for new, emerging, and existing entrepreneurs in the local community.<sup>23</sup>

According to a report authored by CFED, the pipeline notion is that:

*There should be an infrastructure of lifelong learning from elementary school to the golden age, based on the simple principle that it is never too early or too late to be an entrepreneur... the aim is to create*

a large and diverse pool of people, across a spectrum of entrepreneurial motivations, out of which there will flow a steady stream of high achievers with an interest in creating jobs and wealth in their communities.<sup>24</sup>

Based on this concept, there is also a need to provide support services throughout the lifespan of an entrepreneur's project, from the idea stage to the implementation stage to the growth stage. CFED and the Kellogg Foundation define entrepreneurship as:

*The process through which entrepreneurs create and grow enterprises. This process includes four critical elements:*

- Opportunity recognition.
- Idea creation.
- Venture creation and operation.
- Creative thinking.<sup>25</sup>

According to the Association for Enterprise Opportunity (AEO), microenterprise development programs can offer the following services:<sup>26</sup>

- Business training and/or technical assistance. *These programs help participants build the skills needed to plan, market, and manage their businesses. The business training/technical assistance usually results in the participants developing their business ideas into feasible enterprises and writing formal business plans. In addition to helping individuals learn to research the market, conduct financial analyses, and plan marketing strategies, the training/technical assistance addresses personal development issues such as family budgeting, control of personal finances, and appropriate business behavior.*
- Access to credit. *Microenterprise development programs help participants obtain access to financing for their businesses. Many programs operate in-house lending programs. Others link participants with loans from collaborating banks, public loan funds, or other financing sources with which they have formal relationships.*
- Ongoing business assistance. *Continuing assistance is provided to business owners after they start or expand their businesses. This assistance addresses issues that the businesses face as they move through each stage of development, as well as specific difficulties they encounter.*
- Access to markets. *Microenterprise development programs help participants find markets that will increase sales and profitability. Programs often provide training on marketing and sales concepts. They may also encourage clients to participate in trade shows, develop catalogs of their products, and advertise their businesses on the Internet. Some programs have started incubators for certain types of businesses, such as technology or food businesses, and some programs provide support services, such as administrative services and technical assistance.*
- Asset development/economic literacy. *Microenterprise development programs help participants improve their understanding of banking and savings principles. Some offer participants the option to open individual development accounts (IDAs) – savings accounts that can be used by low-income households for certain purposes, such as to purchase a home or start a business. These accounts are matched – usually \$1 to \$3 for every \$1 saved – with funds from either private or government sources.*

## **B. Models of Entrepreneurship Development**

It is useful to review the existing models of entrepreneurship development. A quick overview is provided here:

1. *Native Growth Model.* A useful model for understanding the best way to address entrepreneurship development in Native communities is the Native Growth Model. This model provides one example of the policies/tools needed to promote entrepreneurship in Native communities. According to the Native Growth Model, entrepreneurship (and broader community economic) development organizations/programs must accomplish the following:

- *Educate.* Provide access to educational programs in support of entrepreneurship development. This includes K-12 and tribal college programs, as well as programs offered through a local business center, CDFI or other institution. The programs should address financial education, credit repair, small business management, and other entrepreneurship-related topics. Training and technical assistance may be linked directly to the Finance aspect of the model (see below). For example, financing may be tied to training as part of the lending policies or through the IDA program savings goal to start or expand a business.
- *Finance.* Provide access to appropriate small business loans (credit must be affordable, “right-sized” (micro loans are sometimes appropriate), flexible/adaptable, and must have accompanying technical assistance and training). The business development entity might also sponsor an IDA that includes matched savings to be put toward business start up or expansion, thus “financing” a piece of the Native business owner’s

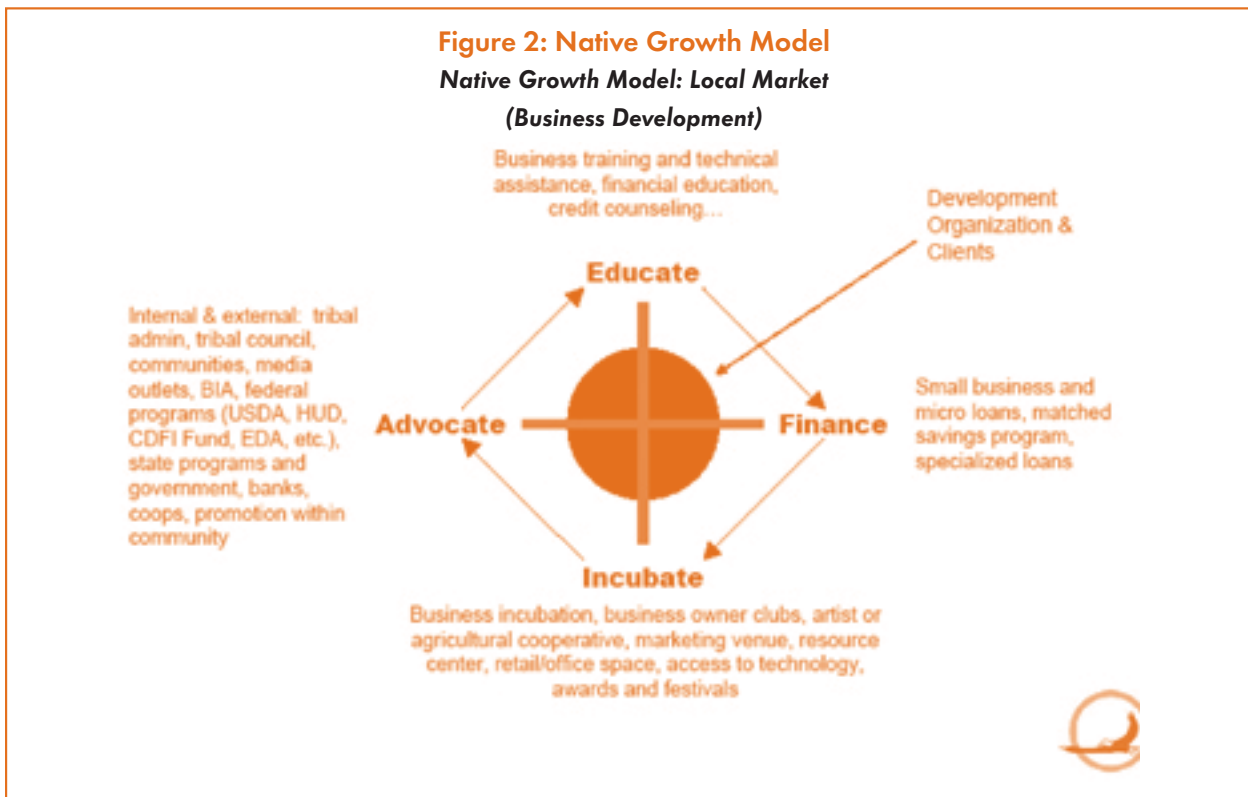
equity, while providing the technical assistance and training as described above under Educate.

- *Incubate.* Provide small business support through office or retail space at a business incubator, and provide access to computers, faxes, and phone lines at Tribal Business Information Centers (TBICs) and other small business centers. Tribal colleges and high schools can host American Indian Business Leaders groups or other clubs to teach students how to run small businesses. Native nonprofits can stimulate and “incubate” through physical and technological infrastructure, as well as develop chambers of commerce, business owner clubs, mentor networks, and marketing venues for their Native entrepreneurs.
- *Advocate.* Given the social, economic, and political climate in many Native communities, there is a need to advocate at the local elder/leader/tribal council level, and also at the state and federal level to generate a supportive social and legal environment for entrepreneurship growth. Other aspects of advocacy include working with specific federal programs that aid businesses and entrepreneurship development programs, as well as being a voice within their own Native community for the businesses and their needs and the broader expansion of the entrepreneurial culture.

This model, designed by Stewart Sarkozy-Banoczy for Cheyenne River Community College and then expanded for efforts at Four Bands Community Fund ([www.fourbands.org](http://www.fourbands.org)) and First Nations Oweesta Corporation, provides an example of an integrated, long-term strategy for stimulating entrepreneurship development in Native communities. Based also on the historical connection

to the circular or cyclical nature in Native communities and emphasizing the four directions so often connected to Native culture, this is one effort to organize and stimulate the Native community economic development

pattern in Native communities. While many models are more linear in nature, this Native cyclical model also implies that these development efforts have no real end, just the next milestone, impact, or phase of growth.



2. *The Entrepreneurship Development System (EDS)*. In 2001, Lichtenstein and Lyons proposed a new model of entrepreneurship development called the Entrepreneurship Development System, or EDS. This model is a coordinated infrastructure of public and private supports that facilitate entrepreneurship. It integrates a wide range of programs and tailors products to meet diverse needs of entrepreneurs.

Lichtenstein and Lyons challenge many of the assumptions of entrepreneurship development and they argue that entrepreneurs are developed, not born. They state that cultivating entrepreneurs means helping them develop the abilities to achieve their goals. Helping entrepreneurs build necessary skills includes the usual education and other system supports, but Lichtenstein and Lyons argue that entrepreneurs build skills not by

acquiring information but through a process of personal transformation. The primary mission of enterprise development is to identify and develop entrepreneurs (the focus is on the person, not the business) and the secondary challenge is to provide necessary technical assistance services to help them become successful. Entrepreneurs need intensive, deep, and ongoing relationships that nurture them.

Lichtenstein and Lyons identify five key elements to the Entrepreneurship Development System:

- *Entrepreneurship education.* This includes entrepreneurship concepts in school curricula (K-12), experiential learning techniques, encouraging student-created enterprises (after-school and out-of-school), and integrating entrepreneurship into courses and disciplines.
- *Adult entrepreneurship training and technical assistance.* Providing high-quality, accessible financial education; product development and marketing advice; and business development training and technical assistance to aspiring and existing entrepreneurs.
- *Access to capital.* Supplying adequate and appropriate equity and debt financing to meet the needs of entrepreneurs at different levels of development.
- *Access to networks.* Offering networks that allow entrepreneurs to share ideas, learn from one another, and conduct business together, linking them to new sources of capital, new employees, strategic alliance partners, and service providers.

- *Culture.* Creating a cultural, social, and civic environment that encourages, nurtures, and raises the profile of entrepreneurs.

A recent EDS effort involving Native communities and organizations is based on the Lichtenstein and Lyons elements. The Oweesta Collaborative EDS (OCEDS) ([www.oweesta.org/oc](http://www.oweesta.org/oc)) partners include First Nations Oweesta Corporation (a national Native CDFI intermediary), Rural Community Innovations, or RCI (a nonprofit technical assistance provider), The Lakota Funds (a Native CDFI on the Pine Ridge Indian Reservation), Four Bands Community Fund (a Native CDFI on the Cheyenne River Reservation), Oglala Lakota College, the Pine Ridge Area Chamber of Commerce, Wawokiye Business Institute, Wind River Development Fund (a Native CDFI on the Winder River Reservation), and First Peoples Fund (a national CDFI-like business artisan nonprofit). Based on the specific OCEDS model (Figure 3), which is an even narrower view of the Native Growth Model (Figure 2), these groups have tackled the key elements of an EDS for each location. They have developed new and innovative programs for entrepreneurship development suitable for their individual organizations and/or Native communities.

Both of these models of entrepreneurship development provide guidance for reservation-based communities.

Each in their own way, tribal leaders, Native nonprofits, and community members across the United States are drawing upon current theories of entrepreneurship development to design programs that promote entrepreneurship in their home communities. Each program is different, and many only address one of the four key areas of economic infrastructure, political/legal infrastructure, physical infrastructure, or social/cultural infrastructure.

However, the models currently in use in Native communities represent promising practices for entrepreneurship development, and each represents an important step forward in creating an enabling environment for entrepreneurship development in Native communities.

**Figure 3: The Entrepreneurship Development System:  
The Oweesta Collaborative EDS**  
*Native Growth Model: Entrepreneurship Development System*



**“The CDFI model is especially effective because it pairs access to flexible, adaptable credit with ongoing, intensive technical assistance.”**

## **Promising Practices: Opportunities Related to Entrepreneurship Development in Native Communities**

Across the nation, tribal governments and Native nonprofits are utilizing and implementing innovative strategies to promote entrepreneurship development in their communities. Given the diversity in Native communities, and the differences in geographic location, proximity to markets and financial services, governance structure, ownership of land base, and other factors, each community and each community institution has identified unique, culturally appropriate model to support entrepreneurship development in their home community. This section will review some of these promising practices.

### **A. Promising Practices Related to the Financial Infrastructure of Reservation-based Communities**

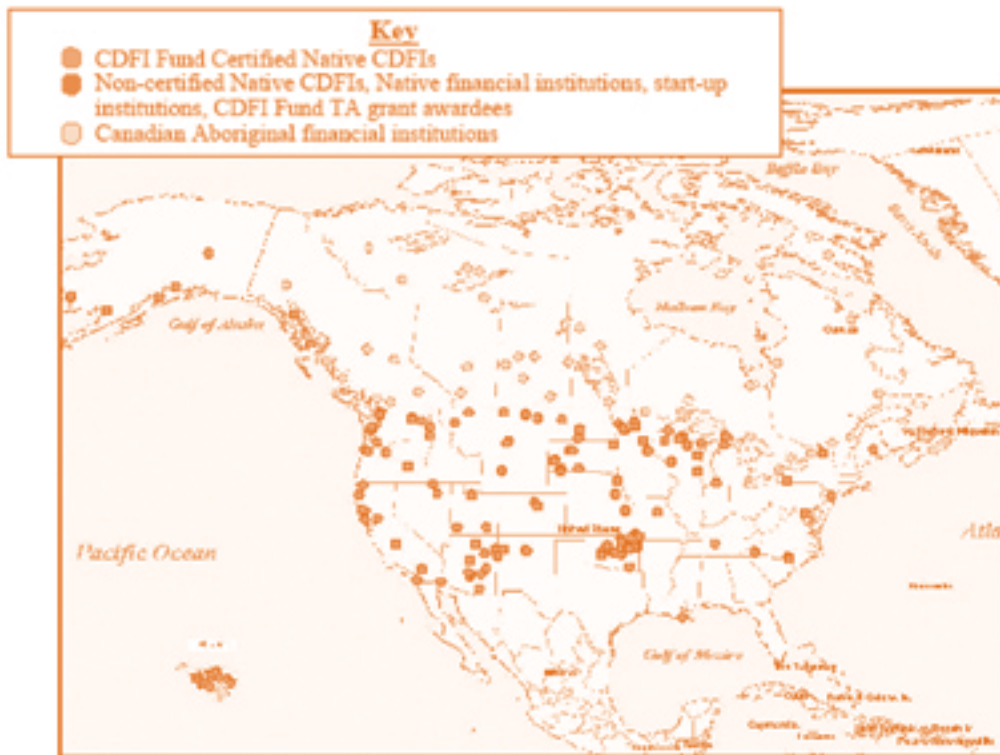
Increasingly, Native communities, tribal governments, and Native nonprofit organizations are working to provide access to credit and financial services in reservation-based communities. There are many successful models of Native community development financial institutions (CDFIs) that provide access to “right-sized” credit in the form of micro loans or starter loans (small loans that eventually lead to larger loans).<sup>27</sup> Some of the Native CDFIs also provide standard small business loans at higher dollar amounts. In addition, CDFIs usually provide culturally appropriate technical assistance and training before ever offering a loan, and they often provide ongoing technical as-

sistance to a customer throughout the term of the loan. There are currently 42 U.S. Treasury-certified Native CDFIs located in Native communities, and many more are in the development stage – most of which provide business lending and technical assistance (see Figure 4). The CDFI model is especially effective because it pairs access to flexible, adaptable credit with ongoing, intensive technical assistance. The importance of technical assistance in getting a client ready to access credit and start a business cannot be understated. Ongoing technical assistance is just as critical as the loan for ensuring that a small business owner succeeds. Starting a business is not just a data point that measures an outcome – it is actually the beginning of a long process during which a business owner is likely to need continual support and advice. Again and again in First Nations’ research, we have observed the importance of technical assistance and an ongoing relationship to the success of a business owner paying back their loan.<sup>28</sup> Indeed, as part of Oweesta’s Native CDFI development programs, the emphasis is on “creating borrowers” and “developing the mentor class” for Native communities.

Several tribes, such as the Standing Rock Sioux Tribe in North Dakota and South Dakota and the Menominee Indian Tribe of Wisconsin, offer a tribally sponsored loan fund. In the case of the Standing Rock Sioux and Menominee, these loan funds have a loan committee that includes members of the non-reservation-based banking community, representatives from the business center, and tribal leaders. Both loan programs work with a tribal-government-supported business center to recruit potential clients and assure their readiness for receiving a loan. In both cases, clients are often required to take financial education classes or small business classes before applying for a loan, and the completion of such courses is a prerequisite for receiving loan funds.



Figure 4: Native Financial Institutions



**Certified Native CDFIs  
Growth By Year**

<u>Year End</u>	<u>Number of Certified Native CDFIs at year end</u>
1996	1
1997	1
1998	2
1999	1
2000	6
2001	9
2002	15
2003	25
2004	30
2005	34
2006	38*

\*As of Oct 2006

**Certified Native CDFIs by  
General Grouping**

Credit Unions/Associations:	5
Loan funds:	26
Banks:	6
Intermediary:	1



## Examples of Financial Infrastructure

### *Providing the Financial Infrastructure to Support Entrepreneurship Development: The Standing Rock Sioux Business Equity Loan Fund*

The Standing Rock Sioux Tribe has an innovative mechanism in place for funding businesses owned by tribal members on the Standing Rock Reservation in North Dakota and South Dakota. The Standing Rock Sioux Tribe (SRST) Business Equity Loan Fund (BELF) provides a combination grant/loan package. Micro loans are available, as are larger loans. The following table provides the categories of loans:

General Equity Funds	Business Start Up Cost (\$K)	Debt Financing	BELF Equity Injection	Owner's Equity Contribution	BELF Loan Guarantee
Micro 1	\$10K or less	50%	50%	0%	90% thru Certificate of Deposit
Micro 2	\$10K-\$25K	60%	34%	6%	80% thru loan agreement
Business Equity	\$25K-\$250K	60%	34%	6%	None, but allows other loan guarantees

Applicants must go through a rigorous application process, complete a small business training workshop, submit a business plan, and arrange financing with a mainstream bank or credit institution. Notably, the loan fund provides a grant/loan combination; after a bank approves the loan (the tribe may secure this loan), the tribe gives a small grant to the business owner, which they call an "equity injection." This allows potential business owners, who may lack initial equity, to hit the ground running. The loan fund was designed this way because the tribe recognized that many Indian business owners lack equity. Due to the trust status of much of the land on the reservation, many residents may not own their home or may have difficulty using their land to collateralize a loan.

The loan committee includes representatives from the local business center, an outside consultant, and a representative from the tribal council. Additionally, the advisory committee includes a regional banker. In 2005, the Standing Rock Sioux Tribe had granted nine loans over a two-year period, with no defaults. These loans have supported many independent businesses, such as a quick-stop convenience store, a ranch, a recording business, as well as an arts and crafts business.

This most recent iteration of the loan fund is an improvement on a previous loan fund (money from a federal water settlement case has supported both). The Standing Rock Sioux Tribe designed the newest loan fund to correct problems that plagued its predecessor. The previous loan fund had little due diligence, did not require any training or business classes, was used as a political tool, and had a 90 percent default rate. However, in attempts to avoid the stumbling blocks of the original loan fund, the Standing Rock Sioux Tribe constructed this new Business Equity Loan Fund with many safeguards that will, hopefully, ensure wise loan assessment and continue to support successful small businesses on the reservation.

### ***The Lakota Funds***

Helping to ensure the financial sustainability of the Oglala Lakota Oyate, The Lakota Funds provides loans and financial education to American Indian entrepreneurs. The fund was created over 20 years ago with the goal of ending poverty among the people of the Pine Ridge Reservation in South Dakota. Since then, through a combination of micro loans, technical assistance, financial education, and other innovative programming, The Lakota Funds has lent out more than \$3.5 million to more than 600 borrowers. Notably, The Lakota Funds became the first-ever community development financial institution (CDFI) specifically tailored for a Native community and located on an Indian reservation. As such, this nonprofit organization prides itself on culturally appropriate business strategies and educational approaches.

For each loan the fund grants, clients benefit from a training program designed to incite both an enthusiasm for smart financial planning and a responsibility to their financial commitments. Once the training is complete and the loan is settled, clients can partake in other financial education programs such as basic financial education training, and enrolling in an individual development account. Through helping clients with a growing portfolio of loan and technical assistance products, The Lakota Funds has provided training to more than 1,000 entrepreneurs, and created more than 750 permanent jobs in one of the poorest areas in the nation.

Recently, The Lakota Funds helped to create the Wawókiye Business Institute. Founded in 2004 in collaboration with the W.K. Kellogg Foundation, the Theodore R. and Vivian M. Johnson Scholarship Foundation, Oglala Lakota College, and the Pine Ridge Chamber of Commerce, the institute offers an award-winning program devoted to meeting the needs of aspiring entrepreneurs.

The Lakota Funds has had a profound impact on the Oglala Lakota Oyate community. At the fund's inception, only two Native-owned businesses existed on the Pine Ridge Reservation. As a direct result of The Lakota Funds' micro lending and educational programs, today there are over 328 American-Indian-owned and -licensed businesses within the community.

### ***The Lac Courte Oreilles Community Credit Union***

The Lac Courte Oreilles (LCO) Community Credit Union is located on the Lac Courte Oreilles reservation in northern Wisconsin. LCO Credit Union is a newly certified CDFI that aims to provide loans to tribal members at reasonable rates. It is distinguished from other CDFIs because it is also a depository institution. Because it also provides depository services, it has been able to offer a broad range of financial and developmental services. In addition to a range of loan products offered at reasonable rates, LCO Credit Union also offers financial education classes, business start up classes, and help with credit repair. LCO Credit Union also offers affordable checking accounts and savings accounts, and other tools to help tribal members manage their money. Recently, the credit union began to offer new products such as a check cashing service and payday loans for tribal employees who present proof of employment with the tribe. These services were offered to provide a source of credit for personal and consumer loans in competition with other privatized lenders that often charge astronomical interest rates. The credit union has worked closely with the Lac Courte Oreilles tribe to help secure loans with payroll deduction, enabling access to reasonable rates on credit access.



Tribal loan funds can be very effective if operated properly (see ***Providing the Financial Infrastructure to Support Entrepreneurship Development: The Standing Rock Sioux Business Equity Loan Fund***).

In contrast, many other loan funds have been plagued by a high default rate and poor management. Both the loan fund at Fort Belknap and the loan fund run by the Three Affiliated Tribes of Fort Berthold in North Dakota were shut down after poor management of the loan funds, a lack of technical assistance to loan fund clients, and a high default rate resulted in depletion of funds. Improper administration of funds, political influence on the loan fund, lack of technical assistance for clients, and lack of effective collection are potential pitfalls that face tribally run loan funds.<sup>29</sup> In many of the interviews conducted in fall 2004, key informants spoke about the importance of providing technical assistance to loan recipients to reduce the chance of default.<sup>30</sup>

Other tribes have been working with banks to encourage them to provide basic financial services on their reservation. On the Pine Ridge Indian Reservation, a mobile banking unit provides access to tellers, cash machines, and other basic financial services on a daily basis. The mobile unit travels to different towns on the reservation on different days, providing service across the 2.7-million-acre territory. Other Native communities have made the effort to grow and develop banking relationships to serve residents of the reservation community. As Native communities grow and develop their citizens as entrepreneurs, and some of the tribes themselves become financially powerful, banks have recognized that economic sovereignty for Native communities, tribes, and individuals can lead to new clients and benefits for the banks.

Tribes also have the opportunity to use their unique status as a sovereign nation to limit predatory lending on their reservations. More and more tribes are passing UCC codes and other legislation to limit predatory lending.<sup>31</sup>

Underlying all the efforts to provide access to credit and financial services must be a commitment to providing financial education and to increasing the financial literacy of all community members. In First Nations' work, we have repeatedly seen the importance of providing access to financial education at all life stages – from childhood to young adulthood to middle age.<sup>32</sup> Financial education is also important for existing business owners. Many Native nonprofits, housing authorities, and tribal colleges now teach the *Building Native Communities: Financial Skills for Families* curriculum, and CDFIs and other business assistance centers provide a range of financial education programs, including ones that are tailored to the local community. In some communities, such as the Eastern Cherokee, Fort Peck, and Menominee, financial education programs are being offered in the grade schools, middle schools, and/or high schools. The most effective financial education program will address youth, adults, and existing businesses, and will be effectively tied to consumer protection and entrepreneurship development.<sup>33</sup> An integrated, multi-age approach represents a promising practice for tribal communities.

Based on our research, First Nations has developed a diagram that illustrates a hierarchy of needs regarding entrepreneurship in Native communities. Figure 5 illustrates the needs any entrepreneur has when attempting to succeed in business creation. First, any business owner needs a firm foundation in personal and business financial literacy. In many cases, there is a need to pro-

vide personal financial education for individuals before they can make the leap to managing the cash flow of a small business. As a tribal college instructor stated in an interview, “You have to walk before you can run.” First Nations’ research also indicates that if an entrepreneur does not have a firm foundation in financial education, their business is less likely to be sustainable. A college instructor interviewed in the fall of 2004 stated, “Without a foundation of financial skills, many business owners get into a train wreck they cannot recover from.”

A second area of need relates to issues of social/cultural infrastructure and political/legal infrastructure. An entrepreneur needs technical assistance to develop a business plan and take the steps toward starting a successful business. After the business plan has been developed, they may need ongoing technical assistance to seek financing and handle start up.

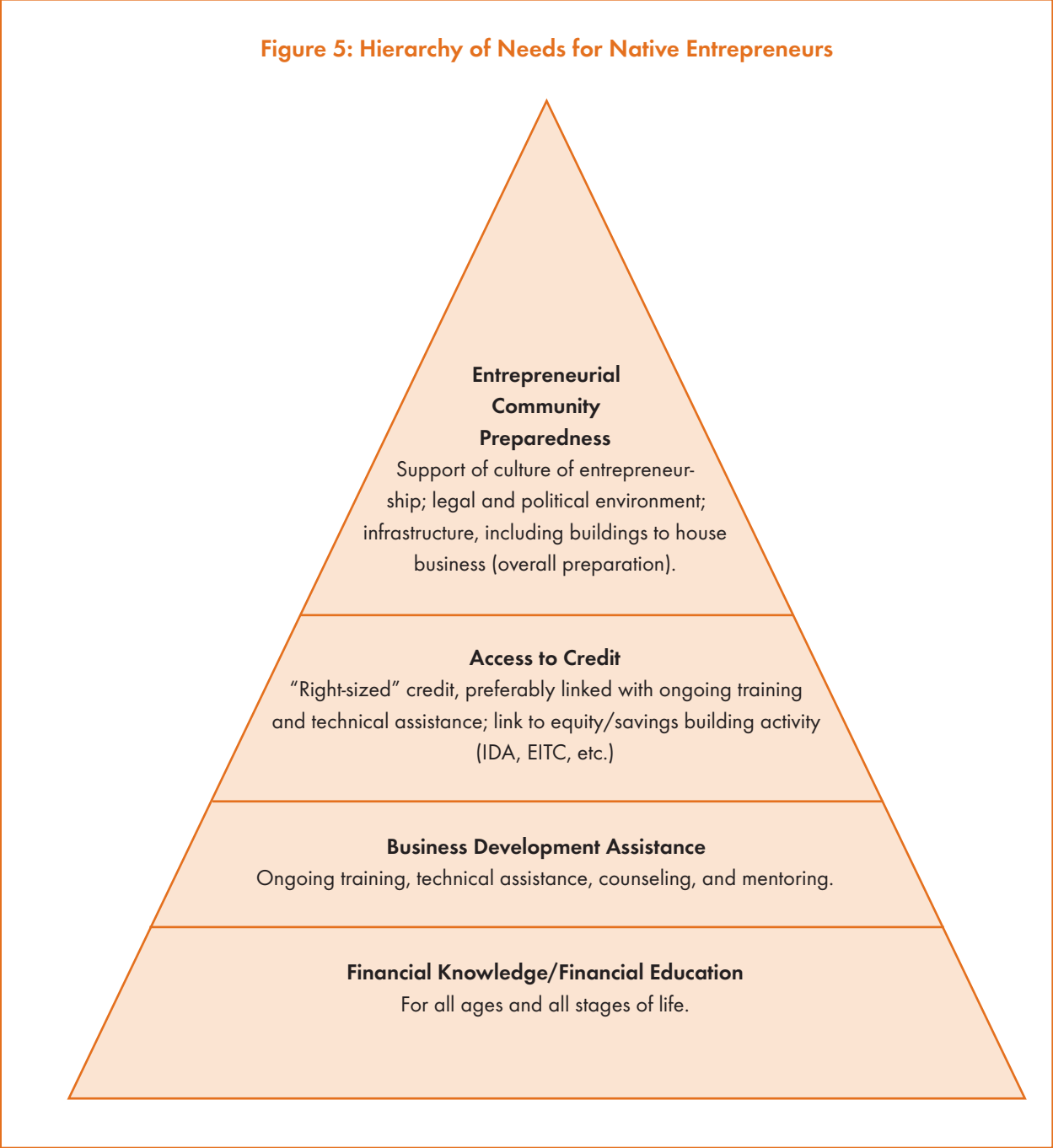
Third, a business needs access to appropriate credit – “right-sized” credit in the form of micro loans or starter loans (small loans that eventually lead to larger loans), or loans that are paired with a great deal of ongoing technical assistance.<sup>34</sup> Finally, an entrepreneur is greatly helped by a community culture in support of entrepreneurship – the presence of mentors and role models, a community that believes in supporting Native-owned businesses, and, if necessary, a local institution (such as a business assistance center or Native CDFI) that provides ongoing technical assistance and support. Furthermore, a legal environment that supports businesses and the availability of a building to house a business is useful. However, in our work, we have discovered that many people successfully start up businesses with only the bottom three tiers of the pyramid in place – these are the most critical.

First Nations’ research reveals that many of the more successful Native-owned businesses have access to a local institution that provides ongoing technical assistance. One example is a restaurant operating on the Pine Ridge Reservation. When the price of inputs went up (hamburger meat and french fries), The Lakota Funds, a local CDFI, worked with the restaurant to help them adjust their menu prices. This helped them protect their profit margin and continue to be successful. Another restaurant on the reservation worked with The Lakota Funds to open a second branch. These were both successful businesses in their own right, but they both received technical assistance at a critical point in their operation, and this technical assistance allowed them to be more successful and to protect their profit margins. The Lakota Funds was critical to their success.

At any point, a business may face a challenge in meeting its basic needs. First Nations’ research suggests, however, that the most important foundation of business development is a bedrock of financial literacy, and upon that can be built many a successful business.



**Figure 5: Hierarchy of Needs for Native Entrepreneurs**



### **B. Promising Practices Related to the Political/Legal Infrastructure of Reservation-based Communities**

Increasingly, tribal governments and Native nonprofit organizations are working to change the legal and political environments in reservation-based communities to make them more supportive of business development. More and more tribes are passing UCC codes and other codes related to debt, foreclosure, and financial affairs.<sup>35</sup> The Eastern Cherokee, Navajo Nation, and Winnebago tribes have all passed some form of a UCC code. Many tribes have worked to institute independent judicial systems to ensure unbiased enforcement of statutes. The success in changing the BIA's land permitting and leasing process has been more elusive, but efforts are ongoing.

In many locations, as mentioned earlier, Native communities, tribes, and organizations have used their own funds to finance loan programs, business assistance centers, and business incubators. One group, the Salish

and Kootenai Tribes of the Flathead Reservation, has used tribal funds to partially capitalize the spin-off Native CDFI. The Menominee, Standing Rock Sioux, Citizen Potawatomi, Eastern Band of Cherokee, Salt River Pima Maricopa, Tanana Chiefs Conference, and Fort Peck tribes, to name just a few, have all contributed financially to loan funds and/or Native CDFIs that provide capital resources to small business owners on reservations or in their communities. Many tribes have contributed to supporting small business development by providing buildings and tribal funding for business centers and business incubators. The Menominee Tribe is a leader in this field, and has provided a small business incubator on the reservation for over 15 years (see Menominee Business Center example at the end of the chapter). The tribes of the Fort Belknap Indian Reservation have provided an office for the small business assistance center, which is staffed by a employee of the tribal college. Many other tribes, working in partnership with tribal colleges, have used limited tribal resources to finance business centers.

#### **Examples of Political/Legal Infrastructure**

##### ***Providing the Political/Legal Support for Entrepreneurship Development: The Little Traverse Bay Bands of Odawa Indians***

The Little Traverse Bay Bands of Odawa Indians took their governmental and legal infrastructure duties to heart when they considered the development of a loan fund or CDFI to serve tribal business owners. They knew they wanted to bring tribal members (and their businesses) back to the reservation and they wanted to see new businesses develop. Especially because the region was heavily dependent on tourism, the development of service businesses would keep tourism dollars in the local economy. But before the development of the lending and technical assistance institution could commence, the tribal council, commission members, and staff determined that the appropriate governmental rules and regulations needed to come first. The tribe developed commercial and corporation codes, created a commerce department, solidified the court system, and developed education programs. They then took an even larger step and rewrote their constitution, creating a more balanced tripartite government, reducing the power of the tribal chairperson and establishing better checks and balances. The development of the CDFI is now underway and will be incorporated under tribal law, through tribal corporation codes and the tribe's department of commerce — and soon will be lending for business start up and expansion throughout their region.

Other strategies to promote entrepreneurship development include promoting tribal college business education, business education in tribal schools, and individual development account programs. Most of the 34 tribal colleges in the nation offer some form of business education, often with an emphasis on small business and entrepreneurship development. The Cherokee Nation in Oklahoma supports an individual development account program that provides funding to assist people in starting their own business. The Cherokee Nation is also a leader in providing financial education in the tribal school system, and many other tribes are experimenting with financial education and small business curricula in their K-12 classrooms. There are now approximately 11 Native IDA programs (at various stages of development) that are housed in or connected to Native CDFIs around the country that specify the development of savings for business start up or expansion. As an example of what one effort might lead to for a specific location, on the White Earth Reservation in Minnesota, the White Earth Land Recovery Program led to a for-profit spin-off corporation, Native Harvest, that has been helped by the new Native CDFI there, the White Earth Investment Initiative. The initiative developed their IDA program this year, so we expect more of these synergies.

While the issues surrounding the limitations of trust land and the problems associated with fractionated land are too vast to cover in this paper, it is worth noting that several tribes have been actively working to buy back their ancestral homelands in order to consolidate their checkerboarded reservations. The Confederated Tribes of the Umatilla Indian Reservation developed a vision statement in 1990 that included buying back traditional land and adding it to the reservation base held in trust for the tribes. With the aid of gaming revenue, the tribe

has since bought back 14,000 acres and now owns about 29 percent of the land on the reservation. The Oneida Nation of Wisconsin has also implemented a land buy-back program, as have many other tribes. While this does not remedy the challenges associated with fractionated land, or the BIA bureaucracy related to leasing and permitting on trust land, it has been a successful strategy for reducing the checkerboarded nature of land on the reservations.

One exciting new development in the Native land consolidation effort is the launch of the Indian Land Capital Company, a Native CDFI dedicated to lending to tribes for land consolidation and buy-back deals. This organization just received a \$750,000 low-interest investment from Wells Fargo, the first bank investor in the new venture. Additionally, the Indian Land Tenure Foundation is a nonprofit organization made up of Indian landowners, Indian people on and off reservations, Indian land organizations, tribal communities, tribal governments, and others connected to Indian land issues. The foundation's focus is "to educate, support activities and raise funds to carry out goals related to Indian land tenure. The goals come from the hearts and souls of tribal community members striving to make reservations a better place to live, now, and for future generations." Their mission is to ensure that "land within the original boundaries of every reservation and other areas of high significance where tribes retain aboriginal interest are in Indian ownership and management." Movements and organizations like these help stabilize the environment that entrepreneurs, their businesses, and related enterprises function in within Native communities. The foundation was involved in the development of the Indian Land Capital Company and the two organizations continue to work very closely together.



### C. Promising Practices Related to the Physical Infrastructure of Reservation-based Communities

Many tribal governments recognize the challenges associated with finding a building to house a private enterprise, and they have worked to address these challenges. A few tribes have identified a successful strategy for providing commercial space for these businesses. A very common practice is for a tribe to purchase or build a strip mall or other building and then to provide retail space to businesses. On the Fort Belknap Indian Reservation, the tribe owns a strip mall that houses several tribal offices but also houses a privately-owned restaurant. On the Oneida Nation of Wisconsin's reservation, the tribe owns a strip mall that is available for lease. While this model may prove problematic if tribal politics enters into the leasing process, it does represent a potential solution to the lack of buildings available for small businesses. It also represents a promising practice for tribes that are increasingly buying back and consolidating traditional tribal land on the reservation, by providing a use for that land that supports small business development.

The Menominee Tribe of Wisconsin supports the Menominee Business Center, which provides technical assistance but also functions as a business incubator. It provides space for 10 offices and a collective work area with a copier, conference table, and fax. The phone lines, computer Internet access, and other infrastructure needs are provided by the business center for a small fee. The business incubator has been very successful and is looking to expand (see **Menominee Business Center example**).

The Cheyenne River Sioux Tribe of South Dakota, through its wholly-owned CRST Telephone Authority, has invested heavily in telecommunications infrastructure throughout the reservation (approximately the size of the state of Connecticut), including fiber optic cabling to distant communities, satellite internet services, a data entry and call center subsidiary, a cell dealership and tower, an Internet service provider and a number of other community-stabilizing infrastructure projects. This benefits the local business environment by making it possible to compete and connect with markets outside this very rural area and provides vendor or support service opportunities in all fields.



## Examples of Physical Infrastructure

### *Providing the Physical Infrastructure to Support Entrepreneurship Development: The Menominee Business Center*

Business incubators help emerging businesses survive and grow during their fragile start up period, and have filled an important niche in the financial success of Native communities. By providing an array of business support services, such as affordable office space, telecommunications infrastructure, loans, training, and technical assistance, business incubators have been successful in helping small and start up businesses succeed. Many American Indians are finding small, self-operated businesses extremely lucrative, and business incubators afford these entrepreneurs the opportunity to realize their ambitions. One such business incubator, the Menominee Business Center, provides an example of an innovative model being used on the Menominee Indian Reservation in Wisconsin. The center was set up in 1991 with a U.S. Department of Health and Human Services Administration for Native Americans (ANA) grant; it has also received funding from a USDA Rural Business Enterprise Grant (RBEG). Most importantly, the Menominee Indian Tribe of Wisconsin now fully funds and operates the center.

The Menominee Business Center provides nine rentable office suites, a conference room, a fax and copy machine, and other telecommunications infrastructure devices for start up businesses. Designed to address the shortage of business sites on the reservation, their 2,400-square-foot facility is currently looking to expand to meet demand. A “one-stop-shop” facility, the Menominee Business Center also hosts the Menominee Revolving Loan Fund, and the center provides ongoing business and financial education classes. The center works closely with the local tribal college as well as the University of Wisconsin Extension to provide outreach, education, and technical assistance to small businesses on the reservation.

The business incubator has achieved a successful record. It has helped 57 businesses start up since 1992, and these 57 businesses have created at least 100 new jobs. Between 1992 and 2004, the Menominee Revolving Loan Fund has provided \$1,129,804 in financing to businesses supported by the Menominee Business Center, and these loans have leveraged \$1,475,517 in additional financing from other sources such as the Small Business Administration, BIA, and conventional banking institutions.

### ***D. Promising Practices Related to the Social/Cultural Environment of Reservation-based Communities***

The legacy of poverty and colonialism in many Native communities has resulted in low levels of Native business ownership. This is slowly changing, however, as new generations of tribal members start businesses, become comfortable with financial institutions, and identify paths out of poverty. There are many institutions in tribal communities that have contributed to this slowly emerging business class. These institutions are working to bring about a cultural change in Native communities, one in

which people understand and value private business ownership, look to role models in the business world, and support other Native-owned businesses.

Tribal colleges remain one of the most important institutional resources in Native communities. Through business education programs, business clubs such as American Indian Business Leaders, and workshops, tribal colleges offer a resource for individuals wishing to gain education related to entrepreneurship. Tribal colleges often contribute to the culture of entrepreneurship in a community by providing role models and resources,

and by promoting personal financial education. The ideal model is when the tribal colleges work closely with Native CDFIs, business centers, or loan funds. Research has demonstrated that such an arrangement provides a two-way passage of information – individuals using a business center can find out about college entrepreneurship programs, and those interested in receiving a loan can gain access to business education. In addition, college students who are interested in access to credit and more “hands-on” workshops can be directed to work with a CDFI or business center. This exchange and sharing of resources, information, and support is linked to a greater success in supporting entrepreneurship development.<sup>36</sup> At Fort Belknap, Fort Peck, Standing Rock, Menominee, Pine Ridge, and others, the tribal college business programs work closely with business centers and CDFIs to encourage business students to pursue their dreams of starting a small business through accessing financing, and receiving ongoing technical assistance.

CDFIs are also one of the most important institutions to help promote small business development in a community. In addition to providing “right-sized” capital, technical assistance, and training, CDFIs also provide role models for others. They provide all the programs and services related to supporting an enabling environment for entrepreneurship development. They also provide a stable, secure, nonprofit institution in many communities where tribal governments are characterized by instability, turnover, and political infighting. By providing training classes and ongoing technical assistance, CDFIs help produce a “business class” in the local community, or a group of people who own and manage private businesses and can serve as role models for others. These individuals also provide mentoring for other small business owners. Many CDFIs, Native nonprofits, and others

have been working to create an environment on their reservations that is supportive of local business owners and entrepreneurs. On Pine Ridge, The Lakota Funds has helped revitalize the Pine Ridge Chamber of Commerce, which has brought together business owners for social and educational meetings. The Chamber of Commerce provides a networking opportunity, and a chance to identify mentors and give and receive advice. Many other communities are experimenting with chambers of commerce, business groups, and other similar clubs.

Financial education remains one of the most important tools for social change. Provided in a culturally appropriate context, financial education can provide the tools for individuals to make informed decisions about managing their personal assets. The most effective financial education program will address youth, adults, and existing businesses, and will be effectively tied to consumer protection and entrepreneurship development. More information on effective financial education programs can be found in the chapter on financial education.



## Examples of Social/Cultural Infrastructure

### *Providing the Social Support for Entrepreneurship Development: Pine Ridge Chamber of Commerce*

One recognizable support mechanism for business development in most communities is the chamber of commerce. While there are an increasing number of statewide Native chambers of commerce, only the Pine Ridge Area Chamber of Commerce (PRACC) in South Dakota is operating at full capacity in reservation parameters. Formed with assistance of The Lakota Funds and local businesses, PRACC has taken on the traditional chamber of commerce role in and around the Pine Ridge Indian Reservation (Oglala Lakota), but also serves a greater purpose and hopes to be a model to other reservations and Native communities. PRACC has been heavily engaged with entrepreneurship development activities, Universal Commercial Code (UCC) creation, job training, event planning, tourism, youth financial education, and business development. The PRACC staff has been very involved with the Oweesta Collaborative Entrepreneurship Development System (OCEDS) effort, particularly with assisting other OCEDS partners with their reservation chamber development. While the representation of issues pertinent to local business owners remains a priority, PRACC continues to emphasize the importance of the individual person in its various activities. A quote from their website highlights that effort: "The Chamber is an association of business people – working together to make Pine Ridge area a better place in which to live, work and raise a family."

### *The Johnson Scholarship Foundation Tribal College Business Education Program*

The Johnson Scholarship Foundation is a private foundation with a mission to assist disadvantaged people to obtain education. The Foundation operates a number of core programs, which were established by its founder, and supports the education of disabled, economically disadvantaged, and American Indian students. The Foundation's support of these causes is delivered through a variety of scholarships and grant programs.

The founder of the Johnson Scholarship Foundation believed that education can empower disadvantaged people to improve their economic circumstances and quality of life. An important part of the Johnson Scholarship Foundation's programming is supporting business education at tribal colleges, with the goal of stimulating free enterprise and the growth of the private business sector on Indian reservations across the United States. In an attempt to encourage and sustain economic development on Indian reservations, the Johnson Scholarship Foundation established the Tribal College Entrepreneurship Scholarship Program in 1995. The program capitalizes scholarships offered by tribal colleges to students studying business or entrepreneurship in Indian Country. The foundation makes no individual grants or scholarships, leaving the selection and administration processes in the capable hands of each tribal college.

Since 1991, the foundation has granted over \$9 million in support of American Indian education, and has funded scholarships to help tribal college students receive educations and attend workshops and other training opportunities. To date, the Entrepreneurship Scholarship Program has donated over \$6.5 million in scholarships to over 2,500 American Indian students. A 2005

survey indicated that the Scholarship Program has aided in the creation of over 93 Native-owned small businesses as well as the equivalent of over 118.5 full-time jobs. While only 10 of the 30-plus tribal colleges are currently participating in the scholarship program, the foundation plans on engaging many of the other tribal colleges in the years to come. Recently, the Johnson Scholarship Foundation has initiated an “exit strategy” at many tribal colleges by awarding four-year matching endowment grants to colleges that, upon completion, will provide scholarship support to these colleges in perpetuity. The foundation plans to work with other colleges in the future once they finish funding the endowment programs at their existing tribal college partners.

In addition to its undergraduate scholarship, the Johnson Foundation has expanded its program to include the development of an MBA program with an emphasis on American Indian entrepreneurship. The program, administered by Gonzaga University and developed in 2001, is designed for qualified Native American candidates who wish to pursue an MBA and will pledge to return to their home community to develop the business sector there. The program’s unique combination of on-campus learning (a total of 18 weeks over three summers) and off-campus education helps to support the growth of a private business sector on reservations.

The Johnson Scholarship Foundation stands out in its field due to its willingness and dedication to support tribal colleges to provide business education to tribal members. It has adopted an approach that emphasizes long-term relationship building, not the “quick fix” approach of so many other grantmaking institutions. Their support of business programs on reservations has helped contribute to a business class and a supportive local environment in the local community, which is so critical to helping reservation-based businesses to succeed. Their programs continue to support the development of the social and cultural infrastructure in reservation communities, an important part of a multi-faceted approach to entrepreneurship development in Native communities.



**Table 2: Promising Practices for Promoting Entrepreneurship Development in Native Communities**

Financial Infrastructure	Political/Legal Infrastructure
<ul style="list-style-type: none"> <li>• Help provide individual access to credit and financial services:               <ul style="list-style-type: none"> <li>- Create or support local banks, credit unions, or CDFIs.</li> <li>- Provide access to “right-sized” credit such as micro loans.</li> <li>- Provide appropriate technical assistance with loans.</li> <li>- Provide financial education.</li> <li>- Provide mobile banking units on the reservation.</li> <li>- Provide a tribal loan fund.</li> </ul> </li> <li>• Control predatory lenders:               <ul style="list-style-type: none"> <li>- Pass tribal code that limits predatory lenders.</li> </ul> </li> <li>• Offer financial education in schools, business assistance centers, and tribal colleges.</li> </ul>	<ul style="list-style-type: none"> <li>• Provide a legal environment in support of business:               <ul style="list-style-type: none"> <li>- Pass UCC code, debt code, and/or foreclosure code.</li> <li>- Ensure that tribal courts are independent of politics.</li> <li>- Provide a streamlined permitting process.</li> <li>- Set aside land for commercial development.</li> <li>- Provide planning and zoning.</li> </ul> </li> <li>• Provide tribal government funding for a small business center, business incubator, or CDFI.</li> <li>• Provide tribal funding for a well-managed loan fund.</li> <li>• Support business education at colleges.</li> <li>• Support individual development account (IDA) programs.</li> <li>• For checkerboarded reservations, work to buy back non-Native-owned land located on the reservation and consolidate reservation land holdings.</li> </ul>
Physical Infrastructure	Social/Cultural Infrastructure
<ul style="list-style-type: none"> <li>• Create a business incubator to house businesses.</li> <li>• Provide a privately owned or tribally owned strip mall dedicated to small businesses.</li> <li>• Work to improve transportation and telecommunication infrastructure.</li> <li>• Work to educate tribal members on how to consolidate and access leases on trust land.</li> <li>• Increase housing stock (all types) in communities to support business growth.</li> </ul>	<ul style="list-style-type: none"> <li>• Create an environment that is supportive of private business ownership (enabling environment):               <ul style="list-style-type: none"> <li>- Sponsor a chamber of commerce, weekly business lunch group, or other social networking opportunity.</li> <li>- Start a business mentor program.</li> <li>- Support CDFIs.</li> </ul> </li> <li>• Provide financial education for youth, young adults, existing business owners, and everyone in between.</li> <li>• Provide ongoing business assistance to business owners through technical assistance and training at CDFIs and business assistance centers.</li> <li>• Offer business classes and business programs at the tribal colleges.</li> </ul>

### An Example of an Integrated Asset-Building Strategy: the Wawokiye Business Institute

Based on the Lakota word wawokiye, meaning giving without expecting anything in return, the Wawokiye Business Institute (WBI) was created to work with potential and existing businesses on or near the Pine Ridge Indian Reservation, including clients of The Lakota Funds. WBI is a project of The Lakota Funds in partnership with Oglala Lakota College and the Pine Ridge Area Chamber Of Commerce. The hallmark of WBI is that it provides a customer-centered, hands-on business coaching system to business owners at all levels. Business success coaches adapt to the unique business challenges on the reservation with the following WBI coaching guidelines. WBI:

- Embraces the Lakota tradition of tiyospaye (ti-oh-spay: mentoring, serving, and cultivating positive values in an extended family environment).
- Provides long-term technical assistance to The Lakota Funds clients, existing reservation businesses, and aspiring Lakota entrepreneurs on and off the reservation.
- Is customer centered and responsive to real-time, individual business needs rather than the program needs of the funding organizations.
- Is built upon the commitment to create and expand small businesses grown from within the community, based on their aspirations and on accessing and locating viable external markets.
- Develops an extended professional network of service providers to fill any missing gaps of business and management expertise for clients on an as-needed basis.
- Provides a kind of switchboard to route a multitude of resources needed by individual entrepreneurs.
- Provides intensive wawokiye on site at the client business and at business training clinics.
- Builds capacity within the Lakota Nation to effectively develop economic and social conditions in a culturally sensitive manner.
- Provides ongoing, practical business education at hands-on training clinics.

WBI is designed to address the economic, political, and social/cultural infrastructure needs of start up businesses. By providing a multi-faceted support system, business coaching, and the services of The Lakota Funds CDFI, WBI has been successful in promoting an enabling environment for entrepreneurship.

## Conclusion

While there has been a great deal of research on reservation-based economies and entrepreneurship development in Native communities, many questions are left unanswered. There is currently a lack of good data about the number of reservation-based small businesses and their characteristics, technical assistance needs, and growth rates. More evaluations of existing reservation-based entrepreneurship programs would help to close the information gap, and provide resources about the effectiveness of such programs and lessons learned.

An effective, integrated approach to asset building through economic development draws upon local institutions in the community to offer tools such as business education to promote asset building through entrepreneurship. Underlying all of the components of an entrepreneurship program is financial education,

which provides a foundation upon which all other skills and resources rest.

Entrepreneurship development is a challenging mission in any community. Native communities provide a range of unique barriers to development, but also provide many opportunities. Tribes and Native communities across the nation, and their Native nonprofit partners such as tribal colleges and CDFIs, are adopting successful models of small business development that provide the right cultural, economic, and programmatic fit with their unique communities. These self-directed entrepreneurship programs demonstrate that tribes and Native community leaders are actively seeking solutions to the problems that face them, and have developed innovative models to address the broad range of issues that face Native entrepreneurs.

## Endnotes

<sup>1</sup> Malkin 2004; Malkin & Aseron 2006a; Malkin & Aseron 2006b.

<sup>2</sup> Miller 2001; Dewees 2004a.

<sup>3</sup> Malkin 2004; CDFI Fund 2001; Malkin 2003; Smith 2003; Dewees 2004b.

<sup>4</sup> Malkin 2004; CDFI Fund 2001; Malkin 2003; Smith 2003; Dewees 2004b.

<sup>5</sup> An Individual Development Account (IDA) is a matched savings program that helps individuals learn financial skills and the savings habit. For more information about this asset building program, see the chapter on IDAs.

<sup>6</sup> Dabson 2003; Sirolli 1999; Innovation and Information Consultants, Inc. 2006.

<sup>7</sup> Malkin 2004; Dewees 2004a.

<sup>8</sup> Dewees 2004a.

<sup>9</sup> Adamson et al. 2003.

<sup>10</sup> Dewees 2004b.

<sup>11</sup> Dewees 2004c.

<sup>12</sup> Hillabrant et al. 2004; Malkin 2004; CDFI Fund 2001; Malkin 2003.

<sup>13</sup> Jorgensen & Taylor 2000.

<sup>14</sup> Jorgensen & Taylor 2000, pp. 4-5.

<sup>15</sup> Hillabrant et al. 2004; Smith 2003; Cornell & Kalt 1992.

<sup>16</sup> De Soto 2000.

<sup>17</sup> Hillabrant et al. 2004; Malkin 2004; Malkin 2003; Dewees 2004c; Jorgensen & Taylor 2000; Meeks 2006; Dewees 2003.

<sup>18</sup> Meeks 2006.

<sup>19</sup> Pickering 2000; Pickering 2001; Pickering 2004.

<sup>20</sup> Dewees 2004c.

<sup>21</sup> Malkin 2004; Malkin 2003; Dewees 2004c; Meeks 2006; Dewees 2003.



- <sup>22</sup> Jaure 2006.
- <sup>23</sup> Dabson et al. 2003.
- <sup>24</sup> Dabson et al. 2003.
- <sup>25</sup> CFED, Mapping Rural Entrepreneurship.
- <sup>26</sup> *Microenterprise Works: Success Stories Across the Nation*. Association for Enterprise Development 2001. Arlington, VA: Association for Enterprise Development.
- <sup>27</sup> Dewees 2004a.
- <sup>28</sup> Dewees 2004a; Dewees 2004b; Dewees 2004c.
- <sup>29</sup> Dewees 2004c.
- <sup>30</sup> Dewees 2004c.
- <sup>31</sup> Smith 2003.
- <sup>32</sup> Malkin 2003; Dewees 2003; Dewees 2004a; Dewees 2004b; Smith 2003.
- <sup>33</sup> Malkin 2003.
- <sup>34</sup> Dewees 2004a.
- <sup>35</sup> Smith 2003.
- <sup>36</sup> Dewees 2004c.

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# PHOTO CREDITS

Chapter 1: Two Haudenosaunee girls from the Traditional Circle of Indian Elders and Youth in Bozeman, Montana. The Traditional Circle of Indian Elders and Youth is a First Nations Development Institute Youth and Culture Fund grantee. Photo credit: Danny Beaton.



Chapter 2: A representative of the Cherokee Nation IDA program (located in Oklahoma) and a family that built a home and expanded a small business using funds from the IDA program. The Cherokee Nation IDA program is a First Nations Development Institute grantee. Photo credit: Peter Morris.



Chapter 3: A representative from Indigenous Community Enterprises and a student who used her IDA to get a degree at Dine' College in Tsaiile, Arizona. Indigenous Community Enterprises is a First Nations Development Institute grantee. Photo credit: Peter Morris.



Chapter 4: A photo of Shelly Valdez who received her doctorate with assistance from the Laguna Education Foundation located in Laguna, New Mexico. Shelly has since established a scholarship fund within the foundation to honor her father. Photo credit: Laguna Education Foundation.



Chapter 5: The Menominee Tribal Small Business Center, on the Menominee Indian Reservation in Wisconsin. In partnership with the College of Menominee Nation, the Menominee Business Center has run a successful Volunteer Income Tax Assistance (VITA) site for several years to help people access the EITC. In 2007, First Nations Development Institute funded their EITC program on the reservation that resulted in successful total federal refunds of over \$563,000. Photo credit: Sarah Dewees.



Chapter 6: A sign for Four Bands Community Fund, a successful Native CDFI on the Cheyenne River Lakota Nation Reservation in South Dakota. Four Bands Community Fund is a First Nations Development Institute grantee. Photo credit: Stewart Sarkozy-Banoczy.



Chapter 7: Photo of a small business sign on the Fort Belknap Indian Reservation in Montana. Photo credit: Sarah Dewees.





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