

CHILD POVERTY COUNCIL ECONOMIC SECURITY AND EMPOWERMENT SUB - COMMITTEE REPORT AND RECOMMENDATIONS

Economic Empowerment and Opportunity

EMPLOYMENT - ASSETS - FINANCIAL EDUCATION

Invest in proven strategies for creating financial stability and building financial capability with four successful and underfunded cost effective programs to address economic inequity.

**Both the MPDP and the IDA program were reduced during the FY 2010 rescission and have not been restored.*

- 1. Increased funding for the Micro Business Development Program (MBDP)** MBDP provides free business technical assistance (training and counseling) to low income Vermonters and has since 1989. The VT CAAs work in conjunction with many partners including social service agencies, state agencies, other business technical assistance providers and lenders, both alternative and traditional. In FY 2013, 90 businesses were started and jobs created at the approximate cost of \$3,200 of per business. **\$300,000 BASE** (Increase \$100K-\$200K above base)
- 2. Increased funding for Individual Development Accounts (IDA)** - A matched savings and financial education program that helps low to moderate Vermonters to get ahead and improve their futures through creating financial assets. Backed by federal dollars participants save to purchase a home, pay tuition for post-secondary education, or start a business. Since its start in 1997 the program has served over 1,335 individuals and families. **\$135,500 BASE** (Increase \$100K-\$200K above base)
- 3. Development of a Vermont Matched Savings Account (Expanded IDA)** - A matched savings program backed by state dollars for Vermonters with low income to overcome barriers to poverty coupled with financial coaching and classes. Examples of plans for saving: purchase or repair of a vehicle, paying down debt, maintaining dental health, establishing an emergency fund, and expenses, like tools or training, that support employment or housing success. (New funding of \$100K- \$135K Base)
- 4. Fund the credit building and repair products** - To break poverty barriers: Credit repair coaching for Vermonters with low income to repair/build credit, and repair/strengthen their connections to financial institutions, and to provide access to and funding assistance for safe and affordable secured credit cards and other credit-building products. Program can be targeted to Reach-Up Families (\$150K - \$200K to cover cost of existing service and expands availability)
- 5. It is recommended that funding from DOL, DHCD, DOC and DOT be considered as sources for some these programs because of their connection to business creation and development and transportation.**

INTERAGENCY PARTNERSHIPS

- 1. There should be an assessment of interagency coordination and cooperation on poverty issues and funding sources.**
- 2. Increase the existing Workforce Training and education resources** to specifically target the low income population and explore previously successful partnership between the VT Department of Labor and Reach-Up on employment issues.

TRANSPORTATION

Transportation Study - Restricted Licenses - Tax Refund Disregard – Inspections and Repair

Create a comprehensive Study on transportation gaps and opportunities for the low income population, examine current practices, fees, and restrictions that result in transportation barriers and create more consumer protections and resources in the Attorney General's office.

- 1. Create and fund a study committee on transportations issues on a large scale for the low income population.** For many low income Vermonters transportation is the linchpin by which they succeed or fail. While Reach Up has processes in place to assist some consumers, thousands more remain unemployed or underemployed for lack of transportation at great cost to the state. Study should include: an examination of existing vehicle and ridership programs, public transportation, and current regulations relating to fines, fees and repairs, and policies that continue to be a transportation barrier for low income Vermonters.
- 2. Establish a DMV process for a “restricted license” to permit a driver whose license is suspended due to driving an uninspected, unregistered or uninsured motor vehicle (specifically excluding criminal offenses such as DUI) to drive to work, school or medical appointments.** Qualifiers could include: first-time offenders, corrected violations, consumers who have paid their fines or have a payment plan in place, drivers over the age of 18, etc. The restricted license could also be issued in the case of non-payment of fines if there was a financial hardship.
- 3. Continue to advocate for the increase or removal of the “asset test” to allow consumers to retain large tax refunds that would make it possible for them to maintain their transportation.** Currently Reach Up participants who receive a large tax refund need to liquidate it or face loss of benefits. As a result Reach Up often pays for car repairs the consumer may have been able to afford if they'd been able to keep their tax refund.
- 4. Explore the removal of credit scores from auto insurance rate setting.** This ban on credit scores being used to determine insurance rates would allow individuals who have less than desirable credit history/scores to still be able to insure a vehicle at an affordable cost, or see their insurance rates dramatically increase with a credit problem. Other states have this ban.
- 5. Additional resources for the Attorney General's Office to assist consumers who enter into predatory lending schemes or who have encountered difficulty with unfair vehicle repossession practices, etc.** Many low income consumers who purchase cars with high-interest, fee packed loan that they simply cannot afford. In some cases consumers commit more than 50% of their income to the payment. Credit is ruined; they are faced with threatening repo processes and no way to repair it.
- 6. Allow Reach- Up case managers pay for funds or repairs that exceed the \$850.00 (cap) for consumers who are under FPL who cannot get their car inspected due to a major emissions repair such as a catalytic converter. Create a loan program for these expensive repairs, and/or allow for a waiver for one year in the case of an older vehicle that is road worthy but does not meet EPA standards.**

GENERATIONAL ASSET BUILDING

Child Savings Accounts

1. **Develop a Vermont Children's Savings Program that increases opportunities for college and career success for all Vermont students;** that engages and incentivizes positive postsecondary education savings behavior for low income VT families; and provides financial literacy education for all children and their parents in cooperation with local public education systems.

Recent studies and pilot programs have shown that a college savings account can have a powerful impact on the likelihood that a child will not only go to college, but also complete college. When compared to low- and moderate-income (LMI) children with no savings account, an LMI child with college savings of just \$1 to \$499 is more than three times more likely to enroll in college and more than 4.5 times as likely to graduate from college.

2. **Propose a universal, automatic program as well as some general structural changes to the VT 529. program**

CHILDCARE FINANCIAL ASSISTANCE PROGRAM

Provides working families with the financial support needed to obtain quality child care, assuring family economic stability, while providing young children with early learning opportunities that establish a sturdy foundation for future growth and development

1. **Increase investment in Vermont's Child Care Financial Assistance Program (CCFAP) by:**
 - **Raising the base financial payment for all child care providers to 50% of the current market rate,** with the long-term goal of raising the base to 75% of the current year market rate.
 - **Raise eligibility for CCFAP to 300% of the federal poverty level.** Families receiving payments from the Child Care Financial Assistance Program are subject to a benefit cliff that starts at 100% of the federal poverty level and ends with zero eligibility at 200% of the federal poverty.
 - **Mandate that market and Federal Poverty Level guidelines used to determine payments and eligibility for CCFAP be adjusted annually and kept current.**

WAGE and TAX POLICY

- Continue to increase the **Minimum Wage** with the goal of reaching a **Living Wage**
- Expand the **Earned Income Tax Credit**
- **Maintain Income Sensitivity** for property taxes for low income renters and homeowners

Economic Security and Safety Net

REACH-UP

Safety-Net - Deep Poverty – Benefit Cliff – Reach Ahead – Eliminate or increase Asset Limit

1. **Gradually Increase the Reach-Up Grant with a goal to cover more of the standard of need.** To pull themselves out of deep poverty a family must have enough to meet basic needs. The current Reach Up grant meets only approximately 49% of the basic need standard. The program currently does try and move families off of the system as quickly as possible, but it has not kept pace with the needs of those Vermonters eligible and receiving benefits. Most recipients of Reach Up are children, whose families need enough cash income to buy essentials of life such as diapers, clothes, non-food grocery items, utilities, costs, transportation, etc.
 - **Fully fund legislative policy changes (increase in earned income disregard, Reach Ahead, child care subsidies) for FY'16 in Governor's budget**
 - **Continue to work to increase the earned income disregard for Reach Up families.**
 - **Eliminate or expand the asset limit for Reach Up families.**
 - **Investigate the feasibility of an earned Income disregard for the Child Care Financial Assistance Program.**
2. **Continue to reduce or eliminate benefit cliffs in public benefit programs** including Reach Up, 3SquaresVT, and Child Care Financial Assistance - including application of income disregards and elimination of asset tests to accomplish that purpose where shown to be effective and feasible."

ENERGY AFFORDABILITY

LIHEAP – Weatherization – Crisis Fuel

1. **Increase investment in Low Income Weatherization Programs.** Additional funding is needed to maintain current capacity. Program reduces dependency on Fuel Assistance and reduces the overall cost of home heating. Program provides jobs and energy savings.
2. **Increase State subsidy for LIHEAP Fuel Assistance.**
3. **Increase Crisis Fuel Assist for needy families and adequately fund need for emergency fuel.**

Food Security

Implement the option to provide federal funded transitional benefits to families leaving Reach Up. This is a 5- month transitional benefit alternative (TBA) that preserves the food stamp amount the family received while on the TANF program. Currently, Vermont provides households leaving Reach Up with a “Reach Ahead” benefit that includes a food benefit funded by the state. The benefit amounts to \$50 per month for 12 months. The TBA is a federal option that, if accepted by the state, will save state dollars and provide families with more money for food during a critical transition to employment and self-sufficiency.

Submitted by Karen Lafayette for the sub-committee on Economic Security and Empowerment.