

Child Poverty Council Testimony
By Dan H. Hoxworth, Executive Director
Capstone Community Action

12/15/16

Good morning, Council members. Thank you for the opportunity to speak before you today.

I am Dan Hoxworth and it is my privilege to be the Executive Director of Capstone Community Action. Capstone stabilizes lives, empowers individuals, nurtures children, and fosters environmentally and economically sustainable households and communities in Washington, Orange and Lamoille Counties. Today, I speak on behalf of the five Vermont Community Action programs that provide services throughout Vermont.

As you know, many of our families in Vermont are economically fragile. This financial instability creates a very vulnerable situation for both the children and their parents. The families often live from paycheck to paycheck, managing very limited financial resources between essentials-housing, food, electricity and fuel. The Community Action Programs (CAPs for short) work hard to stabilize families by providing access to these supports. For example, CVOEO operates the largest food shelf in Vermont (Chittenden County) and Capstone operates the third largest.

Four of the five Community Action Agencies operate Head Start programs, the first two-gen approach to families started over 51 years ago. As you know, stabilizing families is essential to the welfare of the children in the home. Thus, the home visitors and family partners in the Head Start programs at CAPs connect these families to all the supportive services available at the CAPs. This wrap-around approach creates a synergy that Head Start families and their children benefit from.

As I am sure you have heard in prior testimony, housing is truly the first step in stabilizing a family. Many of the CAPs provide housing counseling services to the homeless and precariously housed. Our staff works with families to get them housed in transitional housing units for up to 3 months and then stabilized into longer term housing. Once settled, then families are in a position to look beyond their survival needs to set their goals and move forward on a path to sustainability and ultimately prosperity.

This time of year, families are showing up and calling into all the CAP agencies to assess Crisis Fuel. Yet, as a sign of the increasing economic fragility of our families, many of these requests now are for funds to avoid shutoffs of electricity. The additional burden of fuel bills and higher electric bills on families is enough to push many families over the edge financially—where they become behind in rent, never to catch up without Crisis fuel support. Fortunately, the Vermont legislature has invested to extend these resources with State funds to families with incomes between 150 percent and 200 percent of the poverty level.

One additional essential ingredient of the programs to support families to stabilize their households is the Weatherization Assistance Program (WAP for short). Families with incomes up to 80 percent of the median income in their county are eligible for this program. Each weatherized home conserves between 150 and 230 gallons of fuel less per year thus reducing family's expenditures by \$400 to \$600 a year. Even more important is children living in weatherized homes are warmer and safer—with better air quality—and have less risk of getting sick because of cold and mold. Finally, statewide, weatherization prevents more than 4,000 tons a year of carbon from going into the atmosphere, helping preserve Vermont's pristine air quality for future generations.

All of these efforts—housing, food, and fuel and weatherization assistance—are essential to stabilize families and provide them with additional economic means to be able to focus on their future goals and not simply survival. With the home visitor model, Head Start families are primary beneficiaries of this assistance.

With parents ready and now able to focus on longer term solutions, CAPS offer a variety of programs statewide to support families in achieving economic sustainability and ultimately vitality. Three core programs are offered across the Community Action Network—Micro Business Development, Individual Development Account program with financial education counseling, and the Volunteer Income Tax Assistance (VITA for short).

Let me touch on the impact of the Micro Business Development Programs (MBDP). When you walk in downtown Barre, you will walk by the Morse Deli, Maria's Bagels and Bob's Camera. The owners of these three businesses are alums of the Micro Business Development Program run by Capstone. They are creating jobs, continuing the revitalization of downtown Barre and role models for others to follow in their footsteps. Let me share the story of one of our Micro Business Development Program success stories.

Kelly Richardson came to Capstone 9 years ago, a teen mom with a young child living out of a trailer, scrapping by. Yet, Kelly had dreams of starting her own business. Capstone's staff worked with her to create a business plan for the shop. She successfully used this to get financing to start her business and rent a very small space in Waterbury. Since then she has moved to larger spaces two times and now her shop, Sunflower Salon operates out of 2000 square feet in downtown Waterbury. She has bought a house, paid off her mortgage and all her business loans. Talk about transformation! I encourage you to stop in and see Kelly and hear her story first hand.

Our work at Capstone is indicative of what is happening across our state with the MBDP. With the State's investment of slightly less than \$300,000 a year across the CAP network, between 2010 and 2015, our talented staff has assisted nearly 5,500 Vermonters to create 427 new businesses, expand another 268 businesses, leverage \$5.6 million in financing and create 524 jobs. That works out to a cost per job of an amazingly low \$3,645. Yet we can do so much more with more investment. We can assist more Vermonters to not simply find stability but to reach for and achieve their dreams and fulfill their potential.

Another way we work with families to move to economic sustainability is through financial literacy programs. Our staff work intensively with individuals to encourage saving for their own or their children's education, to start a business, or to buy a home. By leveraging federal matching dollars, IDA's allow participants to get a 2 to 1 match for every dollar they save. It is a powerful incentive for our participants to get training in better managing their finances, improving their credit score and creating a family budget.

In 2016, 51 Vermonters obtained assets of \$127,800. Nearly 50 percent of these Vermonters used their IDA to launch a business, another 37 percent invested in their education and 14 percent bought a home. Yet, across our state, we have only 35 IDA's statewide today or 7 per CAP. Obviously, it is essential that the State put in more investment to make matching funds available to at least a 100 Vermonters every year. There simply is no better way to help low income Vermonters achieve financial resiliency than the IDA program. They get the financial knowledge to make better decisions and they get the savings to help them achieve their goals.

The final program that our CAP network provides that has the greatest impact on the economic vitality of families is the Volunteer Income Tax Assistance (VITA) program. Throughout the state, Vermonters with household incomes less than \$54,000 have their taxes done by trained volunteers whose work is reviewed by a certified IRS tax preparer to ensure they access all the tax credits they are due.

Last tax season, 3,330 households had their Vermont and Federal Tax returns filed through the VITA program. One-third of these returns were completed for families in Washington, Lamoille and Orange counties by Capstone. Federal refunds to households totaled \$4.6 million in total last year, of which, \$1.76 million was from the Earned Income Tax Credit and \$662,000 was from the Child Tax Credit. For participants, the average refund amount was \$1,498. This amount provides households with the opportunity to make significant durable purchases, pay off balances on credit cards and reduce interest expense and to save a small portion for the future. Think about the difference \$1,500 has on a family. For many, it exceeds their take-home pay for a month! Further, these families spent 95 plus percent on local economies contributing to community vitality. At Capstone alone, we were able to accomplish this through 11 tax sites with the help of 40 volunteer tax preparers. These volunteers go through a rigorous training and their volunteer hours had an in-kind value of more than \$25,000.

Allow me to share with me, Nermena's story. She came back for the second time this year to have her taxes done. She is a single Mom, with a little 5 year old daughter. Nermena is a VTC graduate of the vet tech program, and has a job at PetSmart. This year, she received both an Earned Income Tax Credit and Child Tax Credit. She had also started saving for retirement, so she got a credit for that. And, because of her schooling she was able to deduct some of her interest she paid for her student loans. These credits are essential to Nermena being able to stay independent. She even got a promotion at her job.

Unfortunately, despite the enormous returns for Vermonters and the local economies, the State of Vermont does not invest in the VITA program. It is much underfunded with access to the program very limited in many areas of the State. Given the economic impact on families and communities, this is an area where a state investment could reap great returns for both.

I hope this provides you with a solid framework for understanding how the CAP network across the State of Vermont works to stabilize families and support them to achieve economic sustainability and ultimately vitality. As you can see the Community Economic Development programs are truly at the forefront of job creation and creating a path to prosperity for economically vulnerable Vermonters.

It is my pleasure to turn it over to Mary Niebling, the talented and respected Director of Capstone's Community Economic Development department and a member of the Vermont Financial Literacy Commission.