

Testimony to House Appropriations Committee
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Good afternoon. My name is Kate Larose, and I serve as the Director of the Financial Futures Program at Champlain Valley Office of Economic Opportunity, one of Vermont's five Community Action Agencies.

We support Vermonters on their path to economic prosperity through three programs:

- Matched savings Individual Development Accounts
- Financial capability coaching and classes
- Microbusiness Development services

In short, we help people to learn, earn, save, and own.

Last year H.480, which helps to create an "Economy Opportunity for all Vermonters" was introduced, and we received a one-time increase of \$100k to the statewide Micro Business Development Program thanks to your support. I am here to share more about both the short and long term impacts of this program, how our services differ from traditional business services, and report back on the progress of the additional investment so far.

What is MBDP?

Microbusiness Development Program provides training and one-on-one coaching supports to low to moderate income Vermonters interested in starting or expanding a business. Micro businesses—defined as having five full time employees or less—are efficient job creators, effective at raising per capita income and lowering poverty. Since 1988, MBDP has helped to strengthen the economic self-sufficiency of more than 10,000 Vermonters and the vitality of our communities. We have launched or expanded more than 2,000 Vermont businesses, created thousands of jobs, and helped entrepreneurs leverage more than 7 million dollars in capital.

Our services are available statewide and are free of charge to those living at or below 80% of the median income (about \$39k for an individual, or \$56k for a family of four). Clients we work with often face a number of barriers to long term prosperity including access to livable wages, affordable child care, housing, and transportation. Per the 2016 Assets & Opportunities Scorecard, Vermont's Asset Poverty Rate exceeds the national average with 25% of Vermont households being one layoff or serious medical incident away from falling below the poverty line. This is significant, as we know that both supplemental income and full time income earned through microbusinesses can help people to better weather the storm that hard times bring.

According to a 2013 study by the Aspen Institute, 84% of people who launched a micro business to supplement their income moved out of poverty. However, lack of business experience, access to training opportunities, limited understanding of financial management and personal credit often prevent LMI entrepreneurs from actualizing the opportunity that ownership can provide. And this is where our services come in.

Long Term Data

See full stats in [this infographic](#). Over the past 8 years, our average cost per FTE job created has been \$3,603. In the past five years, the state MBDP has helped:

- Create more than 400 FTEs
- More than 200 people who were unemployed become employed
- Leverage \$5.5 million in capital
- Start nearly 300 businesses, and expand 300 more

Who do we serve?

Having seen the outcomes, data, it's important to now understand the demographics of those we serve. At CVOEO our four county service area includes Franklin, Grand Isle, Addison, and Chittenden county. Last year the demographics of Financial Futures included:

- 58% female
- 27% individuals identifying as having one or more disabilities
- 29% people of color
- Average client age of 40
- 38% were families with kids
- 16% New Americans

How are we different?

In Vermont, more than 60% of the workforce is employed by a small business, and 19% of the workforce owns a micro business. With small business being a huge part of Vermont's values and economy, it makes sense that there are a number of resources available. The Small Business Development Center, SCORE, Center for Women and Enterprise, and Mercy Connections all offer business advising and classes. However only MBDP specializes in providing business coaching and technical assistance to help LMI clients specifically to increase economic independence. This often includes supporting clients as they access and work with these other providers. We have a successful 30 year track record of meeting the unique needs of our most vulnerable neighbors to build financial stability and increase their household assets. These services are further enhanced by our in-house services of Community Action, VITA tax prep, matched savings, and financial coaching serve to further enhance client outcomes.

Client Journey

Though every microbusiness client comes to us for different reasons, their journey at Financial Futures generally follows a path that [looks like this](#).

We know that the process of behavior change starts with changes in knowledge, attitudes, and confidence, and that moving from knowledge and skills to asset ownership can take years. That is why we support clients over the long haul as they explore if self-employment is a fit for them, and then move to creating and expanding their business.

Investment

I'm also pleased to share with you today the impact of the additional \$100k. Each of the five CAAs received \$20k to support the demand for our MBDP services. Here at CVOEO that was invested in increasing personnel hours for coaching and education, and through direct client services.

- \$15k to expand business coach hours in Burlington to meet client demand for one-on-one coaching, business plan reviews, additional client professional development opportunities, and mileage to help us meet Addison county clients in-person. (Currently our MBDP waiting lists are four weeks for appointments based on growing demand.)
- \$5k contributed towards the Somali Women's Sewing Collaborative, a client-designed outgrowth of New American Financial House Parties. This is a collaborative effort with the Generator Maker Space in Burlington, and includes participant sewing machines, custom designed curriculum, and maker space membership.

And there are many exciting impacts to come, as we know that the generational impact of micro business ownership can be significant. According to the Annie E Casey Foundation, an increase of just \$3k in a family's annual income can translate into a 15% increase in what their children earn as adults. Simply put, continued investment in MBDP will continue to pay dividends for Vermont families and our economy. Thank you.