

**Testimony before the Vermont House of Representatives
Appropriations Committee**

**By Dan H. Hoxworth, Executive Director
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Good afternoon, Representatives. 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.

Many of our families in Vermont are economically fragile. The Community Action Programs (CAPs for short) work hard to stabilize families and then support them to achieve economic sustainability. As Robert Friedman, Founder, Chair of the Board and General Counsel for the Corporation for Enterprise Development says:

“We start with the recognition of the capacity and productive potential of low-income and economically-marginalized people: they are all potential creators of wealth whether as skilled workers, entrepreneurs, home owners, savers or investors.”

Indeed, by investing in proven programs, the State can expand access to ladders out of poverty. In doing so, the State will achieve a high return on investment and move adults from consuming state resources to replenishing them as taxpayers. The Vermont CAPs have effective programs that move people from economic fragility to achieve economic sustainability and ultimately vitality. Yet, these programs need more investment to take them to the scale to reach more low income Vermonters. Four core programs are—Micro Business Development, Individual Development Account program with financial education counseling, the Volunteer Income Tax Assistance (VITA for short) and job training and readiness programs.

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 2016, our talented staff has assisted nearly 6,193 Vermonters to create 496 new businesses, expand another 328 businesses, leverage \$6.9 million in financing and create 614 jobs. **That works out to a cost per job of an amazingly low \$3,598.** That is why we are asking for an additional investment of \$200,000 to invest \$500,000 total in this highly effective and rewarding strategy.

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. **Since 1997, The 912 families enrolled in this program have invested \$2.5 million**

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. 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. **That is why we are asking that you increase the annual appropriation to \$250,000 a year from \$135,300.**

In addition, we urge you to establish and fund a Vermont Savings Account Program (an expanded IDA) that would allow a greater number of essential uses like vehicle or home repair, debt payment, dental care, etc. In Massachusetts, their program has achieved an astounding \$64.32 in assets for every dollar of state funding and local government is collecting an additional 43 cents per dollar of state funding in property taxes. **That is why we ask you to initiate this program with base funding of \$150,000.**

Financial capability education has an incredible positive impact on low income Vermonters, as attested to by the Vermont Financial Literacy Commission. Ten hours of coaching yields savings of \$1,390, a huge sum for families living in poverty. **We request the State augment current efforts by investing \$200,000 a year to expand availability.**

Another program that our CAP network provides has the greatest overall 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, 3,536 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. The total cost of the program at its current level is \$151,450. **We are asking the State to invest \$100,000 annually to leverage the other investments and volunteers in this program.**

Finally, all of the CAPs engage in some form of Job Readiness programs, training individuals to be successful in careers. At Capstone and CVOEO, we provide the Community Kitchen Academy (CKA) in partnership with the Vermont Foodbank. This innovative program teaches students over a 12 week session culinary skills from nutrition and menu planning to safe knife handling. They earned a ServSafe certification and a bartender license, created resumes, practiced interviewing skills and learned about managing their finances, budgeting and improving their credit scores. Many of them even earned college credits for their efforts. And they were doing all of this while providing a valuable community service: feeding the hungry.

This program has outstanding results since it started in 2013. During this time, 72 students have graduated with 89 percent finding jobs and 82 percent retaining them after 90 days of employment. Seventy-six percent reported a significant improvement in transferable/soft skills—communication, team work, problem solving, leadership, dependability, and conflict resolution). Seventy percent reported significantly improve mental health. **We request that you invest \$250,000 to increase training for low income Vermonters so that the Vermont CAPs will supply employers with job-ready, dependable workers and enable employers to grow.**

The true task before us as a state is to create a ladder so that people can climb out of poverty. This is a win-win solution. Vermonters move from dependency to being independent, building their skills and confidence. The State in return reduces the need for safety net programs and, in return, gains taxpayers. I hope you will see that these proven, effective programs and their high returns worthy of the investment of limited state resources. Thank you for your consideration.

VT Community Action Agencies' (CAAs') Agenda for the 2017 Legislature Creating a Vibrant Opportunity Economy for All Vermonters

"The creation of the safety net during the twentieth century was a wonderful achievement, but the task of the twenty-first century is to create a ladder so that people can climb out of poverty." ~Robert Friedman~

More than 25% of Vermont households are one layoff or serious medical incident away from falling below the poverty line.¹ Despite these startling numbers, creating a vibrant economy—an *opportunity economy* in which all Vermonters thrive—is within our reach. The financial security strategies outlined below offer proven on-ramps into the economy and strong returns on investments for families with low incomes. These well-researched and demonstrated programs create and enable improved access to jobs, enhance financial stability, and help people build and manage assets, while addressing economic inequality.

It is recommended that every agency of the state share *responsibility and resources* to stabilize low income families, break down barriers to successful employment, and support initiatives that foster job creation, workforce development, financial capability, and economic opportunities where appropriate.

Restore and Increase Funding for the Micro Business Development Program (MBDP)

Since 1989, MBDP has provided free business technical assistance (training and counseling) and access to capital to low-income Vermonters. The Vermont Community Action Agencies (CAAs) work in conjunction with many partners, including other service providers, state agencies, business technical assistance providers, and lenders, both alternative and traditional. Each year, an average of 145 businesses are started or expanded across Vermont, 84 new jobs are created, and more than \$1.1 million in capital is accessed. **The average cost per job is less than \$3,600. Current base funding is \$300,000; we request a \$200,000 increase and restore funding to \$500,000.**



Restore Funding for Individual Development Accounts (IDAs)

IDAs are a matched savings and financial education program that helps low-income Vermonters invest in their future by enabling them to build financial assets. Backed by federal dollars leveraged by state funds, participants save – and have their savings matched 2:1 – to purchase a home, pay tuition for training or post-secondary education, or start a business. Since its start in 1997 the program has served 1,335 households. 912 Vermonters have completed their savings period and invested \$2.5 million in their future, much of which has helped support their local economy. 524 have invested in businesses, 207 in education, and 181 in first-time homeownership.

Current base funding is \$135,300; we request an increase to the original appropriation of \$250,000.



Support Workforce Development/Training Initiatives

The VT CAAs offer a number of workforce initiatives that address persistent barriers to employment faced by disadvantaged workers with no, little, or unsuccessful work experiences, and who need customized and comprehensive training and services to overcome those obstacles, such as job readiness programs that help a wide range of groups, including at-risk youth to obtain their first jobs, and incarcerated individuals to gain core life & workplace skills to enter the workforce when they're released. **We request \$250,000 to support efforts to increase access to the workforce and ensure a supply of job-ready, dependable workers to enable employers to maintain and expand their businesses.**



¹ 2016 Assets & Opportunities Scorecard, Census Bureau, Survey of Income and Program Participation.

Fund Financial Education, Coaching, and Credit Building Services To overcome barriers to financial security, “Financial Capability” education & coaching services empower people to stabilize their finances, set goals and work to achieve them, and sustain successful financial behaviors over time. The knowledge and skills gained by low-income Vermonters will enable them to better manage their scarce resources, repair or build credit, and establish or strengthen connections to financial institutions. Recent studies show that 10 hours of financial education can yield a savings of \$1,390 a year for participants—a substantial sum for families living in poverty. Additionally, a recent national study found that 58% of low-to-moderate-income individuals receiving financial coaching and credit building services had their credit score increase as a result.² These services can and have been customized to meet the particular needs of Reach Up families. **We request \$200,000 to cover the cost of existing services, and expand availability.**

10 Hours of Services



Annual Savings of \$1,390 per Family

Establish a Vermont Matched Savings Account Program (Expanded IDA)

Create a matched savings program with state funds for low-income Vermonters to overcome barriers to poverty, coupled with financial education and coaching. This would build upon the design of the successful Vermont IDA Program, and expand on the allowed uses of the matched savings, to include vehicle purchase or repair, home repair, paying down debt, dental care, establishing an emergency fund, and expenses that support employment or housing success, like tools or training. An independent evaluation of IDAs in Massachusetts found that that every dollar of state funding resulted in savers accumulating \$64.32 in assets, and local government collecting an additional 43 cents in property taxes.³ **We request new base funding of \$150,000.**

ROI of 65 to 1!



Fund the Volunteer Income Tax Assistance Program (VITA)

The Volunteer Income Tax Assistance (VITA) offers free tax preparation for anyone with annual income of less than \$54,000. In FY2016, the VT CAAs completed 3,536 Federal returns and 3,544 State returns. The total refunds and tax credits brought \$4.6 million back into the state economy and helped stabilize low-income Vermont households. VITA has a 94% accuracy rate, higher than any other tax preparation service. In addition to the State and Federal returns, CAA agencies assisted households with Renter’s Rebate applications and Homestead Declarations. **The cost of the program statewide is \$151,450. We are requesting \$100,000 to leverage \$51,450 in IRS funding to sustain and expand access.**

Brought \$4.6 Million



Back Into VT Economy

In combination, these CAA Economic and Workforce Development programs provide Vermonters with low incomes unique opportunities to enter and succeed in the workforce, start and retain successful small businesses, enhance their financial capability, build or repair credit, achieve economic stability, and create and use financial assets effectively to invest in a better future for themselves and their families as well as a stronger and better Vermont.

“We start with the recognition of the capacity and productive potential of low-income and economically-marginalized people: they are all potential creators of wealth, whether as skilled workers, entrepreneurs, home owners, savers or investors.” ~ Robert Friedman ~

² Credit Builders Alliance, Analysis of CBA Members: Confirms Value of Credit Building, August 2014.

³ Midas Collaborative, “The Effect of Matched Savings Programs on Low and Moderate-Income Asset Development in Massachusetts”, 2011.