

Vermont Community Action Agencies' (CAAs') Agenda for the 2017 Legislature

Creating a Vibrant Opportunity Economy for All Vermonters

“ 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

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.

Every state agency needs to 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)

MBDP provides free business technical assistance (training and counseling) and access to capital to low-income Vermonters. The Vermont Community Action Agencies (CAAs) work with many partners, including other service providers, state agencies, business technical assistance providers, and lenders. 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.

<\$3,600
Average cost per job created

▣ **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.**

Increase Funding for Individual Development Accounts (IDAs)

IDAs help low-income Vermonters build financial assets. State funds leverage federally backed dollars that help participants save. Their savings, which are matched 2:1, can go toward purchasing a home, paying for training or post-secondary education, or starting a business. Since 1997, the program has served 1,335 households. 912 Vermonters have completed their savings period and invested \$2.5 million in their future and 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 workforce initiatives that address the persistent barriers disadvantaged workers face. These workers have no, little, or unsuccessful work experiences and need customized and comprehensive training and services to overcome these obstacles. Job readiness programs, for example, help a wide range of groups, including at-risk youth to obtain their first jobs and incarcerated individuals to gain core life and workplace skills.

▣ **We request \$250,000 to support efforts to increase training that will supply employers with job-ready, dependable workers, and enable employers to grow.**

912 
Families have invested
\$2.5 million

**Workforce
Training**





ROI:
65 to 1!

10 hours = \$1,390
in household savings



\$4.6 million
Amount VITA brought
back into the
Vermont
economy



Establish a Vermont Matched Savings Account Program (Expanded IDA)

A matched savings program with state funds for low-income Vermonters, coupled with financial education and coaching, builds upon the successful Vermont IDA Program. Expanding the uses of the matched savings includes 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. In Massachusetts, researchers found 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.”²

▣ We request new base funding of \$150,000.

Fund Financial Education, Coaching, and Credit Building Services

“Financial Capability” education and coaching services help people stabilize their finances and sustain successful financial behaviors over time. Low-income Vermonters can better manage their scarce resources, repair or build credit, and establish or strengthen connections to financial institutions. One hour of financial education increases average monthly net savings by \$1.16. Ten hours yields a savings of \$1,390 a year—a substantial sum for families living in poverty. These services are customized to meet the particular needs of Reach Up families.

▣ We request \$200,000 to cover the cost of existing services and expand availability.

Fund the Volunteer Income Tax Assistance Program (VITA)

The Volunteer Income Tax Assistance (VITA) offers free tax preparation for anyone with an 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.

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.

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

² Midas Collaborative, “The Effect of Matched Savings Programs on Low and Moderate-Income Asset Development in Massachusetts”, 2011.