

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.