



*“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, Founder and Chair Emeritus, Prosperity NOW

## Creating a Vibrant Opportunity Economy for All Vermonters

### VT Community Action Agencies' (CAAs') Agenda for the 2020 Legislature

**M**ore than 25% of Vermont households are one layoff or serious medical incident away from falling below the poverty line. 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.

**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 115 businesses are started or expanded across Vermont, 86 new jobs are created, and more than \$1 million in capital is accessed. **The State base funding for MBDP is about \$298,870. In each of the last three years the Legislature has invested an additional \$100,000 in “one-time” funds in the program. The ten-year average cost per job is less than \$3,800.**

**Vermont Matched Savings Program (Individual Development Accounts-IDA)** Established with the creation of 33 V.S.A. §1123 in 2000, the Legislature has invested annually in the matched savings (IDA) and financial education program that helps low-income Vermonters invest in their future by enabling them to build financial assets. Program participants save—and receive matched funds from the State—to purchase or repair a home, invest in job training or post-secondary education, or start and grow a business, while also increasing their financial knowledge. Since 1997 with the inception of Federal IDAs, 1,030 Vermonters have saved and invested \$2,819,555 in their future, much of which has helped support their local economy. Of those, 605 have invested in businesses, 257 in education, and 224 in first-time homeownership. **State funding for the IDA program in each of the past two years has been \$170,000 to match the savings of participants and provide the financial education.**

**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 enable them to manage their scarce resources, repair or build credit, and establish or strengthen connections to financial institutions. Many families participating in financial education programs have started or increased their savings, increased use of budgets and decreased debt. Additionally, a national study found that 58% of low-to-moderate-income individuals receiving financial coaching and credit building services increased their credit score as a result. These services can be, and have been, customized to meet the particular needs of Reach Up families. **These services are partially funded through the base appropriation to the Vermont Matched Savings program. There is currently no additional State funding.**

## The Volunteer Income Tax Assistance Program (VITA)

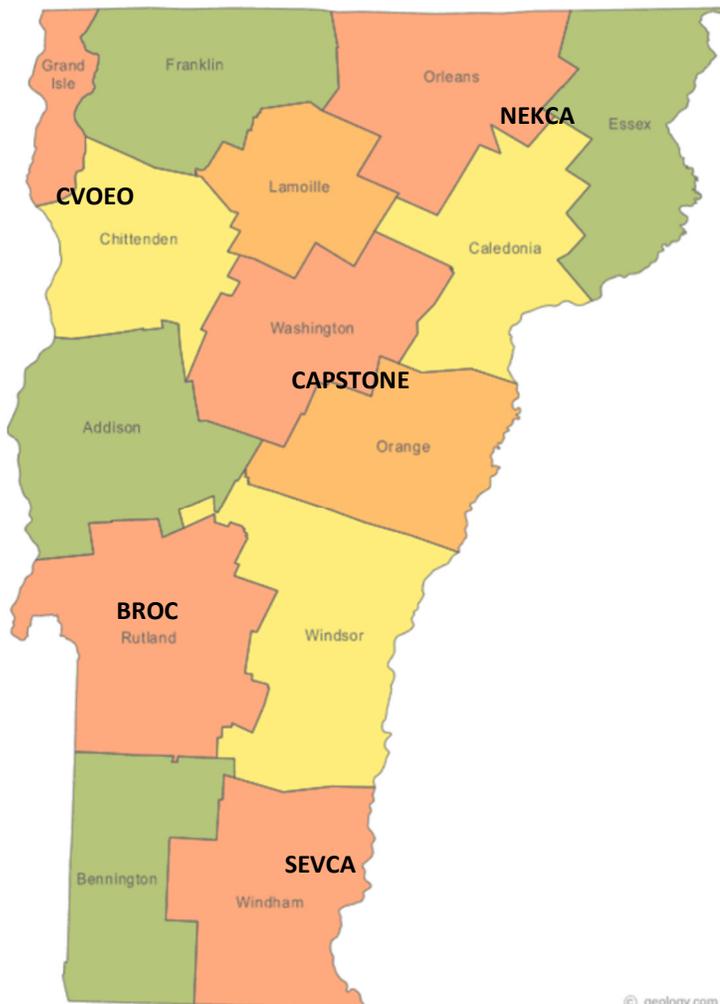
The Volunteer Income Tax Assistance (VITA) offers free tax preparation for anyone with annual income of less than \$55,000. In FY2019, the VT CAAs completed 3,986 Federal returns and 4,538 State returns. The total refunds and tax credits brought \$5,365,971 back into the state economy and helped stabilize 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. **This program receives a small federal grant (\$63,700) and some occasional discretionary funding, but no State general funds. The cost of the program statewide is \$189,000.**



In combination, these CAA Economic Development programs provide Vermonters with low incomes 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 ~



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