



VT Community Action Agencies' (CAAs') Agenda for the 2019 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.

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 115 businesses are started or expanded across Vermont, 86 new jobs are created, and more than \$1 million in capital is accessed. **The average cost per job is less than \$3,800. Current base funding is \$300,000; we request a \$200,000 increase funding to \$500,000.**



Fully fund the Individual Development Account (Vermont

Matched Savings) Program In 2018 the Legislature reinvested 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. Matched by state funds, participants save—and have their savings matched—to purchase or repair a home, invest in training or post-secondary education, grow a business, or purchase or repair a vehicle. Since its start in 1997, 998 Vermonters have completed their savings period and invested \$2.8 million in their future, much of which has helped support their local economy. 566 have invested in businesses, 229 in education, and 203 in first-time homeownership. **Current base funding is \$135,300; we request an increase to the original appropriation of \$250,000.**



¹ 2016 Assets & Opportunities Scorecard, Census Bureau, Survey of Income and Program Participation. 1/30/19

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.**



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 enable them to manage their scarce resources, repair or build credit, and establish or strengthen connections to financial institutions. Vermont Community Action agencies report that some families participating in financial education programs have yielded a savings of more than \$2,514 since participating—a substantial sum for families living in poverty. Additionally, a 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 \$500,000 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 annual income of less than \$55,000. In FY2018, the VT CAAs completed 3,309 Federal returns and 3,844 State returns. The total refunds and tax credits brought \$6.8 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 \$189,000. We are requesting \$100,000 to leverage \$49,000 in IRS funding to sustain and expand access.**



In combination, these CAA Economic and Workforce 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 ~

² Credit Builders Alliance, Analysis of CBA Members: Confirms Value of Credit Building, August 2014. 1/30/19



The Vermont **Matched Savings Program** gives low-to-moderate income individuals and families an opportunity to invest in themselves & their communities & move out of poverty.

THE VERMONT MATCHED SAVINGS PROGRAM



- * BUY OR REPAIR A HOME * POST-SECONDARY EDUCATION *
- * CAPITALIZE A BUSINESS * JOB SKILLS TRAINING & CERTIFICATION *
- * VEHICLE PURCHASE OR REPAIR FOR WORK PURPOSES *

Asset Building

Cumulative Outcomes 1997-2018

998 Vermonters successfully completed the IDA program, using **\$2,778,091** in savings and match funds:

566 Business—invested **\$1,574,493**
229 Education—invested **\$600,146**
203 Homeowners—invested **\$603,452**

FY 2018 Outcomes

47 Vermonters invested **\$122,185** in savings and match:

28 Business \$67,831
7 Education \$21,000
12 Homes \$33,354



A Brief History

Matched Savings Accounts, supported by the Vermont Legislature since 2000, are a proven strategy which combines matching savings and financial counseling to help lower income Vermonters to move up the economic ladder through the acquisition of an important asset, including homeownership, business development, and post-secondary education and job training.

Participants deposit their savings in a special joint savings account, branded as an Individual Development Account (IDA), at partner financial institutions. Once the participant has completed their savings and financial education, the State matches the participant's savings on a dollar for dollar basis to attain their chosen asset.

In 2018, the Legislature built upon this successful program to broaden the uses to include vehicle purchase or repair to access employment. Capstone Community Action oversees this program for the state.

Financial Education

Financial Education is an integral part of the IDA matched savings program providing the cornerstone for our participants' financial success. Participants gain an understanding of their money habits and beliefs, then use that knowledge to set financial goals, choose a budget system that works for them, and develop savings strategies. Additionally, they learn methods to build or repair credit, reduce debt, and plan for future financial needs.

We have seen excellent results in family and individual economic stability when participants take to heart the information, tools, and encouragement we offer in our classes and through our 1:1 coaching.

THE VERMONT MATCHED SAVINGS PROGRAM

* PARTICIPANT SUCCESS STORIES *

Northeast Kingdom Community Action (NEKCA)



Tara Lynn Scheidet of Sutton started making custom hemp clothing in 1999. Tara Lynn® was started in 2005 with a mere \$800 in cash. Tara Lynn® is an eco-couture fashion house that makes natural fiber clothing including one-of-a-kind wedding dresses, menswear, tailored suits, and wearable art jackets. The company has grown to fill \$50,000 in orders a year.

Because Tara Lynn is always thinking ahead about her business needs in order to grow, she enrolled in the IDA program. She is extremely appreciative for the opportunity to use her IDA to expand her market to attract customers all over the world!

www.taralynnbridal.com /802-467-9036

Champlain Valley Office of Economic Opportunity (CVOEO)

Andrew was in a dangerous financial situation when he graduated college. He wanted to continue his education and obtain a PhD, but found that the meager student stipend made it nearly impossible to make ends meet. He started working with a financial coach to set up an emergency fund, and then enrolled in the IDA to help bridge the cost gap of his education. After long days of physical biochemistry classes, he would head to evening financial education classes at CVOEO and found a way to save \$10 a week.

“The success of this program can be summarized in the reality that I don’t need CVOEO anymore. I won’t need state or federal help within the foreseeable future.”



BROC Community Action in Southwestern Vermont (BROC)



Jessica and Warren McIntyre of Manchester each joined the IDA Match Savings Program in March of 2017 to save for their first home. They have two teenage sons and were paying \$1200 a month for rent and wanted to find an affordable home to buy. Jessica was determined to purchase their house in one year and worked hard at saving and repairing their credit reports. They completed the IDA Financial Capability workshops, the NeighborWorks Homebuyer Seminar, and started researching homes. By Spring of 2018 they made an offer and purchased a home in East Dorset

working with USDA Rural Development.

Their new housing cost including mortgage, insurance and taxes is \$931 per month, a decrease of \$269 monthly from their previous rent payments, and they are now building equity in their own home!

Southeast Vermont Community Action (SEVCA)

Tess Lindsay was looking for ways to become more competitive in the marketplace and increase her earnings so she could make a livable wage when she enrolled in the IDA program. She had opened Wildflowers Playground, a small childcare center in Putney, in 2014. Tess wanted to become eligible for ACT 166 funding, a publicly funded pre-k option, so she could be affordable for families considering a preschool program in the area. She is now using some of her IDA to pay for the eligibility process.

“The boost I got from matched savings and SEVCA’s help with my business plan made a huge difference!”



Capstone Community Action



Nermina Beslagic is a former Reach Up client and a single mom. She joined the IDA program to help grow her dog grooming business, **A Cut Above the Rest, LLC**. Nermina had recently earned an Associate’s Degree in Vet Technology from VTC when she began working with Capstone’s financial coach. She was working two part time jobs when she decided to take the leap of faith and go out on her own. She started her business on-site at a local, established kennel, and the business continues to grow.

With her IDA funds, she plans to buy more kennels and a dryer for the dogs. She is no longer on Reach Up and says for the first time she is able to save a portion of her tax refund.

FINANCIAL CAPABILITY PROGRAM

Annual Survey Results

Capstone's 2018 Annual Financial Capability survey, sent to individuals who had received counseling or attended financial education classes, shows:

- 50%** of respondents have set aside money for savings
- 76%** of those respondents have started saving regularly
- 62%** of respondents have taken steps to improve their credit score
- 42%** of those have increased their score
- 87%** reported that working with a financial coach or attending a class was helpful in reducing their debt

Testimonials:

"This was a great experience for someone who struggles with their finances. Before, I was afraid of dealing with these issues. Now I'm more confident with how I handle my finances. Thank you!"



"The classes are GREAT. My meetings with (my counselor) have been invaluable. I leave with a clear list of goals and expectations. (My counselor) is thorough and answers all of my questions/concerns."

CVOEO's 2018 Annual Financial Futures Program survey reports:

- 83%** of respondents feel more financially secure after working with a Financial Coach
- 56%** of respondents started saving money after working with the Financial Futures program
- 79%** of respondents reduced spending after working with Financial Futures Program

Testimonials:

"Before my involvement with Financial Futures, I didn't know about all the different steps I actually could take to improve my situation—but your coaches and advisers have helped so much."

"After taking the two classes and working with (Financial Futures) I went from a mid-500 credit score to a very high 700 credit score!"

An Overview

Most Vermonters can agree that between paying for housing, childcare, transportation, food, loan obligations and utilities, there's often not a lot of income left over for saving.

That's where Vermont's Community Action Network can help. With our comprehensive financial education and financial coaching services, which vary by agency, our staff work directly with low and moderate income Vermonters to help them assess their financial situation's, determine their options, and create financial goals.

Our statewide staff, which consists of program coordinators, financial coaches, and accredited financial counselors, are trained to provide appropriate and meaningful personal finance guidance to Vermonters who are having difficulties paying down debt, saving money, or managing their transportation or housing costs.

By assessing the situation and meeting the client where they are financially, our staff work with individuals and families to help them build economic opportunity and a better financial future.

Programs and Services

Programs and services vary by Community Action Agency (CAA) based on current funding and include:

- Budgeting support
- Debt reduction planning
- Savings strategies
- Credit Building services
- Financial education classes
- Student Loan repayment counseling

Two of the five CAAs offer dedicated financial coaching and counseling services. Capstone Community Action and CVOEO have a combined three full time AFCPE® Accredited Financial Counselors and two part time financial coaches. The Vermont CAA Network is requesting \$500,000 to support continued services at Capstone and CVOEO and to expand services to SEVCA, NEKCA, and BROC.

FINANCIAL CAPABILITY PROGRAM

* A SAMPLING OF THE WORK WE'RE DOING NOW *

BROC Community Action in Southwestern Vermont (BROC)—life after incarceration

Shelly Faris, Team Leader of the Economic and Workforce Development Program at BROC, offers a monthly financial capability workshop to inmates at Marble Valley Correction Facility in Rutland. Financial topics include credit building, managing student loans, and opening up a bank account after incarceration. Inmates are also educated on the community resources available to them after they are released from jail, such as housing supports and fuel assistance. Faris works in small groups and allows the inmates to drive the financial conversation according to their interests and questions. Faris states, "BROC's mission, as 'community action' is to improve people's lives, and this is definitely a sector of the community that I feel we can help."

Capstone Community Action—student loan counseling and support

Amanda is in her mid-thirties and recovering from opiate addiction. Through a partnership with Vermont's Reach Up Program which offers financial incentives to work with a financial coach, she met with Capstone to work on budgeting and credit building. After reviewing her credit report she saw that she had just under \$6,000 in federal student loans in default. Amanda did not know that the balance was increasing due to interest, and she didn't understand that eventually she would have to pay back the loans either through a payment plan or worse, through forced wage or tax return garnishment. Amanda and her coach met for several weeks to resolve the problem. She is now in a 9-month rehabilitation program, paying \$5.00/month. Once the 9-months is up, she will begin paying on an income-based repayment plan. By then, she anticipates that she will be working. Amanda said, "you helped me more than I knew I needed with my finances, so thank you very much!"

Champlain Valley Office of Economic Opportunity (CVOEO)—debt management support

NG, a single mother on Reach Up, worked with Financial Futures to meet several goals related to savings, debt, and credit. CVOEO's Financial Coach found two mistakes on her credit report that she successfully disputed. When she received her 2017 tax refund, she worked with her coach to make a plan to use some to settle high priority debts and put some money in savings. She paid off a \$2,000 debt to CCV, allowing her to access her transcript and continue school and paid down the remaining \$2,400 of her car loan. In addition, she saved \$500, of which \$250 was matched dollar for dollar through the Reach Up Financial Incentive Program.

Northeast Kingdom Community Action (NEKCA)—budgeting assistance for seniors

Seniors in the Northeast Kingdom often live on a limited income and depend on the resources of their local Community Action Agencies. Mary, who spent her entire career as a nurse and caretaker, was now unable to work at the age of 60 due to back pain. She had already created a network of support with help for subsidized housing, SNAP benefits, SSDI and medical care. She came to NEKCA for additional budgeting assistance. She was frustrated as she felt she was doing all she could and still could not make it through the month financially. She had to use her credit card to pay for medication, and as a diabetic she felt limited using the food shelf. Mary benefited greatly from one-to-one financial coaching: she wanted to maximize her income and figure out how to ease her cash flow. She had to make some tough choices and compromise on things that most people take for granted. For example, going to the library to take out a free movie instead of having cable, might not seem that significant, but it is to someone who has spent their entire life working.

Southeast Vermont Community Action (SEVCA)—financial coaching in recovery

SEVCA's part-time matched savings program coordinator offers financial fitness classes and workshops to local non-profit programs serving vulnerable populations. SEVCA is currently working with the executive director of Turning Point of Windham county to arrange financial fitness workshops. Turning Point provides services, free of charge, that help improve the health and welfare of people whose lives have been affected by addictions and who are pursuing recovery. Most guests are low to moderate income and not only recovering from addiction, but also may be navigating other life transitions and dealing with the aftermath of their addictions. Financial coaching and workshops are services that can support people who are returning to the community after incarceration, seeking shelter or employment, or reuniting with their families.

WORKFORCE DEVELOPMENT



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.

CVOEO and **Capstone**, in partnership with the VT FoodBank, operate the Community Kitchen Academy preparing under- and unemployed Vermonters for food service industry careers through intensive culinary skills development, career readiness, and job placement training. Outcomes—85% job placement; 72% job retention

The Transitional Training Program at **BROC Community Action** serves mostly women between the age of 25 and 44, who are receiving support through Reach Up. There are also partnerships with The New Story Center, Vermont Associates, Vocational Rehab as well as an MOU signed with Goodwill. Seven gained full-time employment and 11 participants gained part-time employment.

SEVCA's Ready to Work builds core workplace skills in partnership with local agencies such as Phoenix House/Tapestry and other community groups.

NEKCA's Community Service Placements offer work experiences within their agency while teaching job readiness skills to Reach Up & 3Squares participants

Capstone partners with Farm to Plate to bring together food sector businesses with local educators and workforce development partners to explore career opportunities in the Washington WEB (workforce, education, & business) through internships and career exploration opportunities.

Skills Learned & Practiced:

- Job readiness
- Essential soft skills
- Team work & conflict resolution
- Internships
- Financial literacy
- Career exploration
- Parenting education
- Business training
- High school completion
- Interviewing
- Resume preparation
- Job placements
- Job retention

Capstone's Family Literacy Center educates pregnant and parenting teens for their high school diplomas and offers job readiness training and career exploration and internship opportunities.

