

Testimony to House Committee on Commerce and Economic Development

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Good morning. My name is Kate Larose, and I serve as the Director of the Financial Futures Program at Champlain Valley Office of Economic Opportunity, one of Vermont's five Community Action Agencies.

We were asked to provide an overview to you today of the economic development services we provide to the people of Vermont. To start, I'd like to share two definitions, and two quotes that are pertinent to our conversation today:

First from the dictionary:

"Economic development is defined as an increase in a country's wealth and standard of living.

"Economic development is a policy intervention endeavor with aims of improving the economic and social well-being of people."

"We want to make the safety net a mile marker in the journey, not the destination."

-Clarence H. Carter, Director of Office of Family Assistance/OCS, HHS ACF

"The social justice movement of the 21st century is economic development."

-Wendell Pierce (actor on HBO series The Wire and Treme)

Collectively they speak to increasing wealth, standards of living, economic and social well-being, and social justice. Not in individual silos—as we know that doesn't work—but comprehensively as part of a larger system.

At community action agencies, we support people on the path to economic prosperity and wellbeing through four programs (all of which are free of charge from LMI):

- Financial capability coaching and classes
- Volunteer Income Tax Assistance Program (VITA)
- Matched savings Individual Development Accounts
- Microbusiness Development services

In short, we help people to learn, earn, save, and own.

Last biennium we provided every legislator with a copy of the book, “What It’s Worth” and I see a copy of it on your shelf here. It contains a road map of how we might build an opportunity economy here in Vermont—one in which we can spark prosperity for all.

Each and every day we see the harmful consequences of current policies and systems—as mothers struggle to balance multiple minimum wage jobs with the cost of childcare, as we support retirees and individuals with disabilities in piecing together ways to keep the heat on, and as we help families eek additional pennies out of budgets that are already in the red before payday due to rent, student loans, or medical bills. And yet—each and every day—we also see what the promise of an opportunity economy looks like when it is realized.

Next month some of our clients will be here to share stories of what that promise looks like in their experiences. This includes stories such as:

- Reach Up clients who were unable to buy diapers a year ago, but who now have deposits to move to safer apartments
- A family struggling to make rent that was able to build their savings and credit and purchase their first home
- Not one, but two, successful brewing companies who started their business plans with us in a time when their founders were having to use food stamps to get by
- Vocational Rehabilitation clients who had to quit working after a life changing accident, but who now own their own businesses

And most importantly, you will hear the stories of people provided with opportunity to be in the driver’s seat in naming, working towards, and achieving what they want for their families’ financial futures—opportunity that is currently far less available for those at the bottom end of the economic spectrum here in Vermont, than for those at the top.

So that’s on the horizon for next month. Today I want to share with you an introduction to some of the programs and services that helped make those stories possible.

Let’s begin with the framework from which we operate. [[Financial Capability Overview.](#)]

The Household Financial Security Framework acknowledges that there is no one simple solution to help struggling families get ahead, and that the road to economic wellbeing is more complex than building income alone. It also provides a useful overview underscoring the interconnectedness of the services we provide.

Financial Capability

We support people as they increase their financial capability. Some of the reasons people initially turn to us include:

- Looking for support in a financial crisis

- Budgeting and spending management
- Getting into better rental housing
- Dealing with identity theft
- Learning about banking services in the United States
- Looking to establish credit, or raise their credit score
- Saving towards purchase of an asset (home, education, business)
- Investing for their future

Our workshops focus on exploring attitudes and increasing knowledge and skills in these areas, and our one on one coaching provides opportunities for ongoing skill practice and access to financial products that help people to achieve their financial goals over the long term.

VITA

Next I want to talk to you briefly about the Volunteer Income Tax Preparation program, or VITA, which helps people to earn more money in their pockets.

[\[VITA Overview & Outcomes Jan 2019\]](#)

Shout-out: today is national EITC Awareness Day—EITC is one of the most effective means of pulling families out of poverty.

Matched Savings

Matched savings (previously known as Individual Development Accounts) are a way for people with very low incomes to save towards asset ownership, protect their assets, or increase their earnings. Matched by state funds, participants save – and have their savings matched dollar for dollar – to purchase or repair a home, invest in training or post-secondary education for themselves or a loved one, start or grow a business, or purchase or repair a vehicle needed for work.

What is MBDP?

Microbusiness Development Program provides training and one-on-one coaching supports to low to moderate income Vermonters interested in starting or expanding a business. Micro businesses—defined as having five full time employees or less—are efficient job creators, effective at raising per capita income and lowering poverty. According the 2019 Assets & Opportunities Scorecard which will be released on Tuesday, 21% of Vermonters own a microenterprise.

Clients we work with often face a number of barriers to long term prosperity including access to livable wages, affordable child care, housing, and transportation. Per the 2016 Assets & Opportunities Scorecard, Vermont’s Asset Poverty Rate exceeds the national average with 25% of Vermont households being one layoff or serious medical incident away from falling below the poverty line. This is significant, as we know that both supplemental income and full time

income earned through microbusinesses can help people to better weather the storm that hard times bring.

According to a 2013 study by the Aspen Institute, 84% of people who launched a micro business to supplement their income moved out of poverty. However, lack of business experience, access to training opportunities, limited understanding of financial management and personal credit often prevent LMI entrepreneurs from actualizing the opportunity that ownership can provide. And this is where our services come in, which include:

- Ongoing one-on-one technical assistance, counseling, and training in business topics such as business plan development, marketing, and financial management
- Connecting entrepreneurs with funding sources, local business and economic development groups
- Training in response to client needs (in the past year: taxes, Quickbooks, artisan meat production, social media, accounting)
- Follow-up support to ensure business stability and outcome measurement

Long Term Data

[\[MBDP 5 Years\]](#)

Over the past 8 years, our average cost per FTE job created has been \$3,603. In the past five years, the state MBDP has helped:

- Create more than 400 FTEs
- More than 200 people who were unemployed become employed
- Leverage \$5.5 million in capital
- Start nearly 300 businesses, and expand 300 more

Who do we serve?

Having seen the outcomes, data, it's important to now understand [the demographics](#) of those we serve. At CVOEO our four county service area includes Franklin, Grand Isle, Addison, and Chittenden county. Last year the demographics of Financial Futures included:

- 69% female
- 27% individuals identifying as having one or more disabilities
- 13% people of color
- Average client age of 37
- 48% were families with kids
- 14% New Americans

How are we different?

In Vermont, more than 60% of the workforce is employed by a small business. With small business being a huge part of Vermont's values and economy, it makes sense that there are a number of resources available. The Small Business Development Center, SCORE, Center for

Women and Enterprise, and Mercy Connections all offer business advising and classes. However only MBDP specializes in providing business coaching and technical assistance to help LMI clients specifically to increase economic independence. This often includes supporting clients as they access and work with these other providers. We have a successful 30 year track record of meeting the unique needs of our most vulnerable neighbors to build financial stability and increase their household assets, and services are further enhanced by our in-house services of Community Action, VITA tax prep, matched savings, and financial coaching serve to further enhance client outcomes.

Client Journey

[\[MBDP Client Journey\]](#)

Though every microbusiness client comes to us for different reasons, their journey at Financial Futures generally follows a path that looks like this.

We know that the process of behavior change starts with changes in knowledge, attitudes, and confidence, and that moving from knowledge and skills to asset ownership can take years. That is why we support clients over the long haul as they explore if self-employment is a fit for them, and then move to creating and expanding their business.

Investment from Last Year

I'm also pleased to share with you today the impact of the additional \$100k made last year, thanks in large part to the support of this committee. Each of the five CAAs received \$20k to support the demand for our MBDP services. Here at CVOEO that was invested in increasing personnel hours for coaching and education, and through direct client services.

- \$15k to expand business coach hours in Burlington to meet client demand for one-on-one coaching, business plan reviews, additional client professional development opportunities, and mileage to help us meet Addison county clients in-person. (Currently our MBDP waiting lists are four weeks for appointments based on growing demand.)
- \$5k contributed towards the Somali Women's Sewing Collaborative, a client-designed outgrowth of New American Financial House Parties. This is a collaborative effort with the Generator Maker Space in Burlington, and includes participant sewing machines, custom designed curriculum, and maker space membership.

Story

Yasmin was a participant in our [New American Financial Empowerment Project](#).

"I want to work on building my credit so I can reach my dream of owning a home. But as I walked in here today with the treasurer and credit union staff shaking my hand with happy faces, I feel like I already bought that house!"

Through her participation in financial house parties, Yasmin was able to build her credit, became a part time employee with CVOEO as a community ambassador, and she and her family will be closing on her new home next month.

So in conclusion, what do we do at community action agencies?

We help to actualize the promise of economic development for all Vermonters: increasing wealth, standards of living, economic and social well-being, and social justice.

And we do this by helping people to learn, earn, save, and own.