

House Committee on Commerce and Economic Development

Testimony re: Micro Business Development Program and Vermont Matched Savings Program

Kathryn Baudreau, 2/18/20

Thank you for your past support of the Micro Business Development Program. Last year's additional support of \$100,000 on top of the base funding allowed us to provide excellent services to entrepreneurs.

I am Kathryn Baudreau, the Director of the Financial Futures Program at CVOEO, which houses the Micro Business Development Program, the Vermont Matched Savings Program, the Growing Money Program, and the New American Financial Empowerment Project.

I'm relatively new to CVOEO, but I have been a social worker in VT for over a decade. My colleagues and I in social services are resourceful, creative, bold, and efficient. As a state, we do a good job of helping people meet their basic needs when they are in crisis. That's good. We should.

But as someone used to helping people in crisis, I sometimes forgot a core truth. I want to remember this myself. I want to remind you of it today: People don't WANT to be in crisis. People don't WANT to be poor.

In my work, I have spoken intimately with over a thousand Vermonters in the past 12 years. They want to provide for themselves. They want to take care of their kids. They want to be treated with respect and dignity for the good work that they do.

So we need to help people who are living in poverty – AND we need to help people get out of poverty.

To get out of poverty, people need more money coming in and they need the skills to handle the money they have.

That is what our Micro Business Development and Financial Capabilities programs do. All this you've been hearing – it's to help people handle their money with skill and confidence. It's to help them create streams of income that didn't exist before.

I want to tell you five things about HOW we help people move out of poverty. I'm going to list them first, and then share details. The first is that we treat people nonjudgmentally and with respect. The second is that we help people handle their personal finances and begin to save. The third is that we offer our deep knowledge, skills, and resources to our clients. The fourth is that we help people launch business. The fifth is that we help people sustain and grow business.

**I say that treating people nonjudgmentally and with respect is the first thing we do** to help them move out of poverty. Clients often step foot in our doors worried that they will be judged or told that they will fail. They are used to that. Instead, they are met by coaches who help them self-assess their current financial needs and sketch out a plan towards self-sufficiency. Our coaches are skillful at working with clients who have distinct employment challenges, like disabilities, limited English proficiency, or working around their child's daycare schedule. They are skillful at working with clients with histories of incarceration, past evictions, and inconsistent income. Our coaches understand financial crises. They

know how to work with extensive collections, unpaid electric bills, and cars that need \$2,000 of work in order to pass inspection. They look for the skills and strength in each client, and help them learn to use their strengths to improve their personal finances.

Katie Paquette, a client from Essex, shared about her work with her business coach:

*I am so proud of the fact that I finished the Micro Business Development Program. I have a chronic illness and get so exhausted so easily just by day to day things. ... I have a better understanding of the financial piece of the business process. ...John was a great coach. He was honest and didn't give me false hope. ... I am someone who needs a 1 on 1 coach. I don't feel comfortable in classrooms to ask for help. This set up is ideal. You can take a few classes, but you get a 1 on 1 coach who you can get to know and trust. I could email him whenever with any questions.... I'd truly would have been lost without it.*

Another client, CG from South Hero, shared that:

*He was supportive and non-judgmental, which I greatly appreciated. I was able to voice my confusion about some aspects of my business, without feeling judged. The resources are amazing. I could never have afforded the help I received.*

Our clients trust that their coaches truly listen to them, understand their circumstances, and partner with them about how to move forward. Each client has unique needs. Each client receives unique support.

**The second thing we do** to help people move out of poverty is to help clients learn about personal finances and begin to save. This sounds simple, but the effects are profound.

Meghan J Humphrey, owner of Sweet Basil Cards in Burlington shares:

*I saved enough money to receive a matching grant that helped me develop an emergency fund...and I've kept that up for many years now. I've worked with a number of business coaches there and have learned skills from each one. Many lower-income entrepreneurs don't have the same opportunities as those with more money. The Micro Business Development Program allows us to gain skills so that we can implement business ideas and become more independent and, therefore, financially self-sufficient. Thank you for that!*

She started with an *emergency fund* and moved all the way up to financial self-sufficiency.

These services support potential business owners, but they also support any low to moderate income Vermonter who comes to us. They often come in crisis. Learning to use the money you have as best you can lets you stabilize your housing, your utility bills, your ability to get food, and your transportation. Learning to save even with the limited income you have lets you have choices. When you have no savings, the bad things that happen in life become financial crises as well as personal crises. When you have no savings, you have fewer choices about how to get through the crises. Part of why people with low income carry huge credit card debt is that they don't have the savings to fix the car that takes them

to work and to doctor's appointments. Part of why women end up at domestic violence shelters is because they often don't have the savings to safely get to a new apartment.

One of our clients from Underhill describes this eloquently:

*I fled my home due to domestic violence and financial fraud. I was left homeless, without my belongings, and empty bank accounts. My Financial Coach provided direction, support, and encouragement that allowed me to regain control of my life, secure an apartment, repair my credit reports, and relaunch my business. I am disabled but I am no longer homeless. I am fully self-employed again and working toward being able to let go of SSI and 3Squares. This agency actually HELPS Vermonters set and achieve goals that improve the quality of their lives.*

This is a client who may reach a point where she never needs our food shelf, who may never need a domestic violence shelter because she can afford her own place and earn her own money. That is the power of personal financial capabilities coaching.

**The third thing we do** to help clients move out of poverty is share our knowledge and skill. We offer core business classes – like QuickBooks and Insurance Basics – and an ever evolving range of classes based on clients' needs and interests – like how to start a food truck business in Burlington. Our coaches also meet with clients one-on-one as many times as the client needs in order to reach their goals. Twenty-five percent of our MBDP clients last year received an average of 22 hours of services from our team. That level of support lets them really learn, practice, and master the skills they need to be successful. The skills that clients need to learn from their coaches evolve as their financial situation and businesses evolve.

Heather Skilling from Richford shares:

*I am getting help with designing a spreadsheet to manage my accounts receivable. Could not do this without MBDP. John is very down to earth and practical. Love that. The counselors have a variety of skills and perspectives that can address any situation or problem.*

And an MBDP client from Burlington shares:

*Without the help of the micro business development program, I probably would have given up on my business because the logistics were complicated and overwhelming. I feel great working with my coach because it's really invaluable to have someone who is supportive and knowledgeable about business practice ready to help. I tried to figure out setting up my business on my own but I found I kept having questions or difficulty reading the legal documents to set myself up. There are a lot of steps to starting your own business and I was really nervous about messing it up or not being taken seriously .... Any type of business is welcome [at MBDP] and they have helped so many different people that it makes it easier to get specialized help with the exact things you need to do.*

Combined, just at CVOEO our financial and business coaches have over fifty years' experience doing this work. They have a wealth of knowledge of the specific considerations, resources, and connections needed for different types of businesses.

**The fourth thing we do to help clients move out of poverty:** we help them start businesses. They create income streams that did not exist before. Some of the types of businesses we've helped start include:

- Carpentry
- Lifestyle boutiques
- Life coaches
- Flower arrangers
- Dog walking businesses
- IT service providers
- Breweries
- CSA farms
- Residential and commercial cleaners
- Food trucks
- In-home elder care
- Landscapers
- Musicians
- Massage therapists
- Advertising companies
- Adventure camps
- Taxi services
- Restaurants
- Painting companies
- Tourism companies
- Poets
- Painters
- Food production companies
- Retail companies

Some clients are looking to start businesses based around their logistical or physical health needs, like parents who need to work just during their children's school or daycare schedule or people with chronic health conditions that need to control their work environment. These are clients who may not have been able to work otherwise. Self-employment may be their only real option to earn a livable income.

Some clients are starting businesses that will grow well beyond themselves and will employ many others. All of the numbers you heard about how many we served and how many jobs we created – those are the numbers that we know of. There are more jobs that have been created, more businesses that have been started – not everyone comes back in to tell us of their successes.

JEC from Essex shares about the help he received for starting his business:

*... the help with the IDA program that really got my business off the ground.... Without the microbusiness program I would not have been able to start my own business.*

*Simeon has the most amazing insight into helping people grow their businesses and brainstorm ideas .... He also helped me think outside of the box when making business connections and looking for contracts.*

*I would say that the Micro Business program helps people develop ideas into businesses and turn dreams into reality by helping you develop sound business and marketing plans and goals to grow your business. ... It is an invaluable support system that allows small businesses to grow and thrive.*

**And fifth? We help people move out of poverty** by helping them sustain and grow their businesses. A business launch is not the same as a business success. Clients need support long after their first sale. They come back with questions about finding new markets, improving their accounting practices, hiring and retaining staff, and more.

Michael Patch of St George shares:

*Simeon, is a great councilor to with. Over the past 11 years and counting we have had many meeting on what has worked and not work for my business. He help plan the business and lots unexpected curves thrown at me just before signing my loan. I hit the rock bottom of the recession in 2008 fall. Had I not had the guidance of Simeon, my business would not have survived at all.*

Of note, not only did Michael survive the recession in 2008, with the support of MBDP he went on to win the 2013 SBA Micro Enterprise of the Year award.

We help people move from poverty, from crisis, from financial uncertainty to successful business ownership. We help people create new streams of income, new levels of savings, new hope and dignity for themselves.

Thank you for your support in the past. Please support our Micro Business Development, Vermont Matched Savings, and Financial Capabilities work again this year by requesting from House Appropriations \$100,000 for these programs along with supporting restoring the base funding for the programs.