

Testimony before Senate Appropriations

4/16/19

Advocate Testimony

Quoting Shel Siverstein

Listen to the MUSTN'TS, child, Listen to the DON'TS
Listen to the SHOULDN'TS, The IMPOSSIBLES, the WONT'S
Listen to the NEVER HAVES
Then listen close to me-
Anything can happen, child,
ANYTHING can be

And Anything is. My name is Jan Demers and I am the Executive Director of Champlain Valley Office of Economic Opportunity or CVOEO. I am here on behalf of the five Community Action Programs to request funding in two of our Economic Development Programs: Microbusiness and the Reach Up Incentive Program for financial empowerment.

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.**



In the words of Bill Cherry, Principle of Switch Brewing

My experience with Micro Business Development Program included both objective criticism and advice regarding my business plan for Switchback Brewing Company. They were the only third party consultants I needed to get the company started. Being a technically oriented person, my plan was strong on budgets, projections, and engineering, but my sales and marketing plan was biased toward the nuts and bolts of sales. The marketing was more or less nonexistent. I am naturally resistant to what I think of as “marketing”, but Gillian Franks of MBDP discussed the importance of having an accurate portrayal of one’s company so customers could understand the business they were supporting. It is a lesson I still use and teach my staff, with the result being a focus on telling our story and remaining true to our vision. All this derived from my consultation with MBDP where Gillian helped me understand that marketing could be a tool for good!

I don’t think the value of having a dispassionate and knowledgeable resource for advice when developing a business plan can be overestimated. The staff at MBDP is immersed into the business culture in a way no new entrepreneur can be. I would never have known the Chittenden Bank had just released funds for a business loan program without the inside knowledge from MBDP. Sure enough, that loan started my business as well as a sixteen year banking relationship with (now) Peoples United Bank.

From this start, we have grown beyond our “micro” status. As a company, Switchback remains focused on our community. We provide very good paying jobs with extraordinarily generous benefits and profit sharing. Over the years our charity budget has grown substantially, with a focus on local charities often chosen by our

employees based on their personal interests. We love sponsoring fun and unusual events, and are annually the Vermont State Parks best attended day with our “Earn Your Beer” hike up Mt Philo culminating in with beer and bluegrass music. And of course, now the company is 100% Employee Owned. We have taken on the slogan “Vermont Owned Forever!” to express our desire to always be a Vermont company. Not a bad marketing slogan since it just reflects our reality. Thanks for that marketing lesson Gillian!”

Reach Up Financial Incentives. For the past year CVOEO and Capstone Community Action have worked with Reach Up participants to increase savings and grow financial capacity by incentivizing engagement in changing habits. These Reach Up participants were able to gain \$50 each time they engaged in an activity for positive financial growth. That could be going to a financial class or coaching session. They could earn up to \$700. That wildly successful program is slated to end in June unless further funding is provided. I have provided a story of one such participant in my emailed material to the committee.

Thank you for your attention and advocacy to these programs that have been shown to result in economic development success for those we serve.

Jan F. Demers
Executive Director
CVOEO



Micro Business Development Program

The Micro Business Development Program of the Vermont Community Action Agencies provides training, counseling, and access to financing for low to moderate income Vermonters who are planning to start or expand a microenterprise.

Since 1988, MBDP has helped to strengthen the economic self-sufficiency of more than 10,000 Vermonters as well as the economic vitality of our communities. We have launched or expanded more than 2,100 Vermont businesses, created thousands of jobs, and helped entrepreneurs leverage more than \$15 million in financing.

Our program works:

With a small investment from the state, our program creates enormous returns for low income Vermonters and our communities.

We are different:

MBDP has statewide counselors that specialize in working with low income Vermonters who have significant barriers such as bad credit, disabilities, and/or very limited income, but have the desire to use self-employment and business ownership to provide income to support their families. We bring together human services and economic development. The Micro Business Development Program throughout the state helps to bring positive change to people's lives.

How we make an impact:

In addition to business counseling, MBDP programs throughout the state offer a variety of financial education, credit building, and savings programs. We partner with other organizations, such as business lenders, to ensure that participants have the resources necessary to become self-sufficient in all aspects of their lives.

*“Business ownership is a proven pathway out of poverty, helping to increase income, create wealth, and move people off public assistance.”**

*Source: The Vermont Department of Children and Families - Outcomes for 2018, Agency of Human Resources - Department for Children and Families

Average Annual Outcomes 2017 -2018

- **111 business starts or expansions**
- **82 new FTE jobs created**
- **\$1,439,256 in business capital accessed**

SINCE 2010

7,524

LOW INCOME VERMONTERS PARTICIPATED IN MBDP

610

NEW BUSINESSES WERE STARTED

436

BUSINESSES WERE EXPANDED

777.7

JOB (FTE) WERE CREATED

\$9,750,126

IN CAPITAL WAS LEVERAGED

Cost per job =

\$3,736

(VT General Fund)

For more information:

Annette Hoyle - BROC in SW VT (775-0878)
Margaret Ferguson - Capstone in Central VT (477-5214)
Kate Larose - CVOEO in NW VT (860-1417)
Amy Robinson - NEKCA in NE VT (748-6048)
Denise Mason - SEVCA in SE VT (722-4575)



How Are You Supporting the Micro Businesses in Your Community?

Farm to Plate ~ Health ~ Business Consulting ~ Day Care ~ Tiny Home ~ Farmers Market ~ Manufacturing

Northeast Kingdom Community Action

Spice Box—Danville



Val Elliott grew up helping out in her Sicilian family's kitchen. Hend AL-Raimi grew up in Yemen and moved to Danville in 2016. Her love of cooking includes a wide range of foods from traditional Yemeni

dishes to the Korean specialties of her father-in-law.

Together they are bringing Middle Eastern food to the Northeast Kingdom, using fresh and local produce when available. This past year has been full of wonderful accomplishments for their business. In addition to being at the Farmers Market in Danville, they have added a pop up restaurant in St. Johnsbury, which has been a huge success. They were also chosen as a recipient of the Prosperity Fund, which will enable them to make upgrades to their kitchen equipment.

Val and Elliot came to NEKCA's Micro Business Development Program for marketing assistance. Their biggest obstacle has been introducing dishes that are not widely experienced in the Northeast Kingdom.

"Amy (from NEKCA) suggested that we also pay attention to the décor at our pop up restaurant to make the experience authentic. It was a huge success".

BROC-Community Action in Southwestern Vermont

Little Steps Daycare—Rutland



When Bethany was young, she possessed a very nurturing and compassionate demeanor towards others. When she had the opportunity to care for a small child, she was very excited! Being the youngest, she couldn't care for any

younger siblings, but friends of the family brought their small babies with them when they would visit. She would watch and imitate their mom as she changed diapers, fed and rocked the baby.

To provide income for her family with the ability to move from dependence on 3Squares VT, Bethany knew it was time to open Little Steps Day Care, LLC creating a safe loving environment for children while their parents are working or at school with the added bonus of spending the day with her son.

Little Steps Day Care, LLC meets the needs of parents looking for a quality day care. Little Steps Day Care, LLC is a warm and welcoming home, while providing a Montessori (real life experience) and Waldorf (imaginative) environment. This gives the children the ability to learn from real-life experiences and use their imagination.

Champlain Valley Office of Economic Opportunity

Yoga with Krista—Burlington



Krista was a successful business owner with her husband in the Caribbean, where they owned and operated a fishing charter. After she and her husband divorced, though, the business ended, and Krista was left without a means to make a living.

She eventually found herself in Vermont with an addiction to alcohol, homeless, and hopeless. Krista found help with her addiction through a yoga teacher training program specifically geared toward people in recovery. In her words, she saw firsthand how yoga helped her restore her body, heart, and mind to sanity.

She saw an opportunity for a unique business and turned to Financial Futures (at CVOEO) for help in May. Since then, she has been relentless in pursuit of her dream: making yoga accessible to everyone.

She enrolled in Growing Money workshops, and worked on her business plan with the support of her MBDP counselor. As a result, she obtained a \$2,500 grant to finance her business start-up cost. She now has a growing list of clients. She connected with local agencies that support people struggling with drug and alcohol addictions, and volunteers her time offering weekly yoga classes.

Southeastern Vermont Community Action

Elizabeth Johnson—Brattleboro



Elizabeth Johnson experienced some huge obstacles to fulfilling her dream of starting her own business: a difficult pregnancy, a serious health challenge (which turned out to be Lyme disease), unemployment, and even homelessness.

It took the doctors quite a while to diagnose Elizabeth with Lyme disease and she entered a period of housing instability but by Spring of 2017, she turned to SEVCA for support.

She took the Financial Fitness course, redoubled her savings efforts, and worked on her business plan with one-on-one support from the Micro Business program. She had begun doing some design and organizational systems consulting with businesses, but she wasn't yet convinced she could make a living at it.

"Doing the business plan forced me to think through what my service really was, and what I would need to do to make enough money to support myself," Elizabeth says. "Once I did the plan, it really shifted how I saw myself engaged in the world, and I was able to present myself more clearly as a 'business consultant.'"

"Participating in the matched savings program and writing a business plan really gave me a newfound confidence for my success," she says. "[Before] I was not able to get out of poverty, and now I'm on the verge of doing that for the first time in 12 years."

Capstone Community Action

Rusty Cottage—Washington



Ruben Colon and his wife, Dorothy purchased their property in Washington, Vermont ten years ago. The property included the house they live in and two cabins without plumbing.

Hoping to earn extra income, they decided to rent the cabins to travelers and had some success. They felt bathrooms would increase business but were unable to get a loan.

They started working with Capstone's Micro Business Counselor (Margaret Ferguson). She helped them develop a business plan, Ruben got estimates from contractors, and Margaret connected him with Community Capital of Vermont. He was approved for a \$40,460 loan!

One of the cabins is complete with a new bathroom and is "booked solid" says Ruben. The other cabin's bathroom addition is still in progress. Ruben says they have definitely made a profit every month and it's a welcome addition to their Social Security income as well as personally rewarding.



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.

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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

Brittany's Story

Brittany is a single mother who reached several of her financial goals through our financial empowerment program. She first heard about the Reach Up incentives program through her case manager at Lund. After connecting with her Reach Up case manager, she was referred to us here at the Financial Futures Program at CVOEO. When she first started working with us, Brittany and her daughter were living on the \$50.00 a week stipend from Lund. Brittany had heard that saving for her future is important, but on a limited income that task seemed impossible. Her perspective changed completely after taking our Spend Smart class. For Brittany, "tracking [her] money and seeing where it goes really made a difference". She was able to see what she was spending money on and— with support from our financial coaches—she realized that she "would rather save than spend."

Through various other financial capacity building activities, like pulling her credit report with a financial coach and attending our Keys to Credit class, Brittany was able to leverage \$700.00 in incentive funds. With this money she was able to pay her first month's rent in a new apartment before leaving Lund and payoff the restitution she owed. She described that "not hav[ing] to wait for [her] benefits to be able to pay [her] first month's rent ...that was a big weight lifted...a lot less stress to deal with." The incentives motivated Brittany to learn about what she needed to do to become more financially independent and in turn helped her reach her personal financial goals and achieve that independence.

Moving forward, Brittany has set several goals for herself and is confident that she will succeed. Now that she is living independently with her daughter, her income has increased through Reach Up. She plans to create a new budget for herself and focus on saving first. Brittany also hopes to use the tools from Keys to Credit to increase her credit score to purchase a vehicle and then—in the long term—a home. In addition to her personal goals, Brittany is committed to sharing the knowledge she has gained through our program with her family and friends. She says, "you know I got my spending habits from [my mom], so if I can change them, she can too. So I've just been—you know—bringing my knowledge everywhere."

Best Quotes:

"I learned a lot from the classes. The Spend Smart and Keys to Credit. Uh, I learned ways I could build my credit. I learned about tracking money. I think one of the biggest things was saving money. Before I started this program, I could not save a dollar. I was able to save enough money to pay my first months' rent before discharging from LUND. I was able to pay off my restitution I owed. One of the main things was saving money for my future and learning how to do that and ways to start."

"I'm saving for my future. For my daughter. I was able to save for my—like I said—my first month's rent. And instead of moving right out of LUND and going into an apartment I've had this whole month to slowly start moving my stuff there every weekend, to not have to wait for my benefits to be able to pay my first month's rent , that was a BIG um weight lifted off. A lot less stress to deal with."

“I think it’s going to help in the long run for me to have better credit for a vehicle, eventually a home. I just really did learn a lot in those classes and how important it is to have credit and all the different percentages of where your credit comes from and how your credit score gets generated. Little things like tips you can do to higher your score. I just think that having that knowledge really helped me to really push me towards my future and not just blowing money every week.”

“I’ve actually already talked to one of my friends back home and I was telling her a little bit about the program—like just she had mentioned her credit and I had told her a couple tips that she could do to build her credit. Because—you know—she has two jobs, she has money and I mean just referring. I told peers at LUND it’s a great program to take advantage of—especially being at LUND and you know, having to live off of \$50 a week for you and your child, um it definitely helps to reach financial goals. It did for me. I would recommend it for anybody.”

“Well my mom’s more of a spender than a saver and I have been reinforcing to her how important it is to save and how much money she will blow and you know I know, I’ve been there, so I’ve just been trying to really push her to save. And you know I got my spending habits from her, so if I can change them, she can too. So I’ve just been—you know—bringing my knowledge everywhere.”

RE: Incentives

G: The incentives were obviously a big part of this for you—

B: Yeah!

G: You’ve used almost the maximum that you could use, which is not common. Would you say to somebody that you should do this program without the incentives or do you think the incentives are what brought you into it?

B: To be honest, the incentives brought me into it. For sure.

G: And how much did they keep you in it?

B: I mean they definitely kept me in it. Definitely a plus! And they definitely—it really helped me a lot. It really has.

G: I mean, with the incentives, it’s really the incentives that paid your rent, right?

B: Yeah.

G: Because you still had to do other things with the other—the stipend?

B: Right.

G: So this, the incentives, actually freed you up to do more things once you decided to save?

B: Yep.

G: So, I think that's an indication, and I've met with a couple of people while there was a gap in the incentives, who just said 'I don't care'.

B: Yeah.

G: And I, but I've asked them—'would you have come without the incentives?'

B: Right.

G: And they went 'not to start with but now I know—now I know what I'm getting, I'm coming anyway'.

B: Yeah, that's right.