



VERMONT  
COMMUNITY ACTION  
PARTNERSHIP



To: House Committee on Commerce and Economic Development

Re: Testimony on H769

Date: 1-18-2024

Good afternoon,

**My name is Liz Scharf and I am the Director of Community Economic Development and Food Security at Capstone Community Action in Barre, VT.** Capstone is a member of the Vermont Community Action Partnership (VCAP) and serves low-and moderate-income Vermonters in Washington, Orange, and Lamoille counties (and a few towns outside of those counties). Our poverty alleviation services include: Emergency Housing when someone is facing homelessness or eviction, Fuel assistance and furnace repair, Utility Assistance, Food from our food shelf in Barre, Weatherization Services, free income tax filing assistance through our Volunteer Income Tax Assistance Program (VITA), Financial coaching, Microbusiness coaching, The Child Care Food Program, and Head Start Early Childhood programming.

One of my roles at Capstone is as an Accredited Financial Counselor, and I have worked with 100s of low-income Vermonters to help them achieve greater economic stability. **I'm here today on behalf of the Vermont Community Action Partnership to voice our collective support of H769, An act relating to Establishing a baby bond trust program.**

You've had the opportunity today to learn about the benefits of a baby bond trust program. Baby Bond programs address the existing systemic inequities and provide a financial foundation otherwise unavailable to many low-income children born on Medicaid. The benefits are numerous: a financial asset can at the very least begin to mitigate wealth inequality, promote economic mobility, and contribute to asset building in the form of a home, business, higher education, or retirement. At its best, the program can disrupt the generational cycle of poverty and result in better health outcomes because we know that physical and mental health and well-being are tied to financial stability.

**For my testimony, I'd like to share with you some details about the folks you would be helping and based on our collective experience with the Vermont Matched Savings/Individual Development Account program, some thoughts on how we can make this program successful for future beneficiaries.**

Since the start of our school year in September, our Head Start Early Childhood program has been working with roughly 220 children and 167 families. By design, Head Start works primarily with low-income families so we can assume that if this initiative passes, 90% or more of our Head Start families with children born while the program is in effect will benefit from this program. **To give you a sense of the magnitude of the housing crisis, currently there are 51 homeless children in our Head Start family. That's 23% of our Head Start children**—ages 5 and younger. Homelessness can mean living in a motel, couch surfing, staying with another family, camping, and living in a car—and our program has seen all of these scenarios. Imagine these same homeless children having access to \$11,000-\$25,000 as young adults. This would not be feasible for most of these children without a Baby Bond initiative. This could very well, if not end the cycle of generational poverty, at least give hope for greater financial stability for the next generation and potentially alleviate the financial burden that homelessness has on our state.

Last fiscal year, our financial coaching team worked with over 250 people, a third were single female head of households, and more than half had at least 1 child. **The Average household income for people with children was just over \$25,000.** Many are recipients of Reach Up, most of these folks are not homeowners, and many have spent their entire lives in poverty. Imagine, the impact this program will have on the future children born in Vermont to families who live in poverty—imagine what \$11,000-\$25,000 could mean to a child who spent their life living in subsidized housing and going with their parents to the food shelf because their 3 squares benefit ran out.

**The Vermont Community Action network has 25+ years' experience managing the Individual Development Account (IDA)/Vermont Matched Savings program.** For those of you who don't know, this program, which ended last year, worked with low-moderate income Vermonters who enrolled in the program, and saved a minimum of \$1000 to receive a \$2000 match (\$1000 from a federal program, Assets for Independence and \$1000 from the state) which they could use to purchase an asset—much like the Baby Bonds, the assets were home ownership, higher education, business startup or expansion, and eventually toward the end of the program we added home repairs and a car for transportation to get to work. As a condition of enrollment and successful completion, participants were required to attend a series of financial literacy classes which covered the basics of personal finance—goal setting and budgeting, credit building and debt management, savings, and retirement. They also were required to take a homeownership class with a housing development organization or a bank if they were buying a home, work with our statewide network of Microbusiness coaches to create a written business plan if they were using the money to support a small business, and an education plan with a VSAC counselor if they were using the money for college or advanced training. **Cumulatively from 1997 to 2022 more than 1100 Vermonters successfully completed the program utilizing more than 3 million dollars in savings and match—this money was used to create around 650 micro-businesses, 240 educational investments, 212 homes, 20 home repairs and around 20 vehicle purchases.** These assets started with a small sum of money--\$3000 and created possibility for economic mobility for many Vermonters who otherwise would not have been able to turn their dream into a reality.

I see our IDA/Vermont Matched Savings as a micro-example of what asset building can do for a family to close the wealth divide—while we worked with just over 1100 people, the Baby bond program is going to be at any given point in time, working with thousands of people each year once the program reaches its first years of maturity. **As a statewide network, we are available to share our lessons learned from this program**—well before the maturity date, especially around the challenges low-income people face when it comes time to cash in their assets, and the administration behind ensuring that the money was spent on the asset.

**Finally, to ensure the future success for the children who are given a baby bond, the program must include a component of financial literacy**—because we need to instill in families as their babies grow into adults *the*

*possibility* of asset building and hope for a better future. For children who grew up in poverty on subsidized housing, with parents who may only have a high school education, it will take more than the knowledge that they have some money set aside for them—it will take a concerted effort on the part of non-profits like the Community Action Agencies, Affordable housing organizations and schools and public service announcements to instill in families *the possibilities* that this money will offer them. We will need to be sure to provide wrap around education throughout the lives of the children and parents so that when they are ready to cash in their bonds, they have a plan and have the skills to execute their plan. It's going to take work, but I believe it will be worth it.

**In closing, I will share with you what generational wealth means to me.** When we say the word “wealth” it doesn't mean riches and vast amounts of money at our disposal. For me, generational wealth was a used car that my in-laws gave us so that we had a car to get to work, and we were able to save for an eventual newer car and a down payment on a house. Generational wealth was the \$20,000 they gave us to put on a down payment for a condo in the late 1990s that sold a few years later for nearly double the price, thereby giving us a solid financial foundation to move back to Vermont, buy a larger home with a smaller mortgage, and raise a family in Vermont. Those two smallish financial acts in the grand scheme of things snowballed into greater financial security for me and my family. I didn't grow up rich, in fact, I grew up very modestly here in central Vermont. And, I had a supportive family who valued higher education, so I went to college. I didn't pull myself up by my bootstraps, I didn't defy the odds-- because I didn't need to-I had a financial safety net that the clients we serve in the community action network don't usually have. Now I am far ahead of where my parents were at my age. And my young adult children, thanks to generational wealth, didn't get saddled with huge amounts of student loan debt, and they are well on their way to financial independence and a very good chance of becoming recipients of my future wealth.

**Imagine this same possibility for all Vermonters, especially our lowest income who otherwise have little to no chance of becoming recipients of generational wealth—thank you for your support of H769, An act relating to establishing a baby bond trust program.**

If you'd like to learn more about our lessons learned from our matched savings program or would like to meet a family or two who could speak to the importance of the baby bond program, please reach out to me or my community action colleagues.

Sincerely,



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