

Vermont Economic Development Partners Job Creation and Retention Platform

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Partners

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In its final report summarizing the voices of thousands of Vermonters, the **Council on the Future of Vermont** called for strategic economic development planning in line with Vermont values and best opportunities aimed at creating jobs that can provide for the future prosperity of Vermont communities. In line with their recommendations, the **Vermont Council on Rural Development** convened key Vermont economic development leaders throughout the second half of 2009 to advance job creation strategies that could be enacted within the next year.

Vermonters share fundamental concerns today about the future of the state's economy, the loss of youth, and the affordability of housing, health care, transportation and household expenses. Vermonters recognize that solving the affordability challenge, attracting and retaining youth, and sustaining Vermont's high quality of life will require the creation and growth of enterprises that produce new jobs.

The economic development partners who have come together in this process are united in our sense of urgency regarding the state of Vermont's economy and the need to act together to advance job creation strategies at this juncture. We represent a broad set of businesses, communities and stakeholders. Together, we share a commitment to support action balanced by a caution to 'do no harm' to existing and emerging businesses, and a clear understanding of the challenges and resource limits that are realities today. Our shared concern for the future of Vermont and the security of its economic foundations compels our call for action now to stimulate job creation in the state today.

We recognize that the recommendations listed here are but a start, not final solutions to Vermont's economic challenges. We have worked together to identify doable, cost-effective and measured ways to advance economic activity that will create jobs and that can be initiated in the short term. As leaders and representatives of key economic development organizations statewide, we represent groups with diverse interests and missions, and each work in different ways to promote economic vitality as a cornerstone for the future prosperity of the state. We stand united in recognizing that that prosperity, which is the basis for much that we can do as a state, is at risk. Supporting the retention and growth of enterprises and the encouragement of economic innovation and enterprise development must be priorities for the future of Vermont.

RECOMMENDED ACTIONS

I. Build an Industry Sector Analysis and Dashboard

At this point in Vermont's economic cycle and in the face of rapid global economic change, Vermont needs an industry sector analysis to guide economic development efforts today. The last edition of the Economic and Policy Resources (Jeff Carr) analysis was in 2001.

- A. Vermont should invest this year in a renewed analysis by EPR or an alternate firm to set a baseline on economic clusters, trends and opportunities.
- B. A key feature of this baseline is an analysis of how Vermont economic sectors can compete with sectors in the region and nationally and that will identify key strategic opportunities. This baseline should subsequently be renewed every four years.
- C. Together, economic partners in Vermont should build a dashboard of goals and indicators to track as partners working to strategically advance key sectors. From this baseline and framework, economic development partners in Vermont will have common measures of impact and success that they can use to evaluate their results quarterly and that can be used to guide future planning around strategic sector development.

II. Increase Job Training Funds

Job training funds have been reduced in the last year; it is crucial to add \$1,000,000 in training funds to bring funding back to the levels of earlier years. In the current recession it is also essential that wage eligibility criteria be adjusted downward for two years so that many more businesses can benefit from these services. Vermont needs to target funds to improve workforce quality and support competitive businesses of all kinds.

III. Mandate the Delivery of Vermont Telecom Authority Bonding Capacity to Expand Broadband Technology in Economic Centers

The VTA must expend its \$40M in bonding capacity through competitive application by the end of 2010. The State of Vermont should add additional moral obligation bonding in the next year and \$10 million a year in general obligation bonding annually for the next 3 years to leverage the swift deployment of high speed broadband and cellular telecommunications in regional economic centers. We need to invest to fulfill the Vermont goal of universal and affordable high speed broadband.

APPENDIX

The economic development partners contributed and evaluated a long list of potential strategies to advance job creation, economic development, and wealth creation as foundations for the prosperity of the state and its communities in the future. Some ideas lacked consensus support. Others were seen as good ideas, but not priorities in this fiscally challenged time. Still others were deemed important, but more for long term consideration, rather than as short term job creation strategies. We've kept our list and share it, knowing that the dialogue that we have had is a beginning and not an end, and hoping that our list will be a starting point for further exploration, decision, and action.

Good Ideas List (for future consideration)

- Unify Vermont's economic development **marketing message**. Vermont needs to build an internal marketing campaign to systematically change the conversation about Vermont as a positive place to do business, to celebrate the entrepreneurial spirit and the variety of growing businesses in state, and use internal media (VPR) and messages designed to unify our internal conversation.
- Advance a **Vermont Green Economic Development Strategy**. Vermont should advance a Green Energy and Green Economic Development Strategy and publicize it—especially getting word out about H447 as a way to attract businesses that can benefit from the security of long-term feed in tariffs.
- Expedite **permitting** and improve the structure and process of permitting. Appoint a "Permit Ombudsman" by executive order with the authority of the Governor behind the position to expedite permitting now.
- Build **Tax Policy to target Food, clean and green**. Vermont should build a new tax policy to favor food and clean and green businesses to make Vermont globally distinctive and attract targeted industry sectors.
- Vermont needs a **marketing campaign** to attract entrepreneurs and businesses built on a strong positive message about Vermont assets, leading success stories, the green economy, and include the 'beckoning country' message and all positive attributes to the Vermont brand.
- Vermont should build a statewide **competition** with \$1,000,000 in cash prizes (plus a one-year tax free ride) to go to 20 young innovative entrepreneurs with business and

growth concepts in three strategic development areas: Food, Green and Digital business development.

- Vermont should build an “**Entrepreneurship Summit**” for new businesses.
- Vermont should build a **scholarship** for higher education to forgive loans for young people who stay and work in Vermont businesses; this should be coupled with a centralized placement service for Vermont graduates.
- Vermont needs to convene an **Economic Development Summit**.
- Vermont should subsidize **free broadband access** to businesses in several key development sites—green zones and growth centers.
- Vermont needs to streamline the **Growth Centers** designation process to make it easier for towns to access the benefits of the program.
- Vermont **higher education** should do more direct economic development training and take leadership in expanding a system of internships, career introductions, and job fairs in state.
- Vermont should phase out the **Corporate Income Tax**.
- Vermont should give a **business tax credit** for each net new job created or net payroll growth to businesses and corporations.
- Each RDC would act as a **Triage Team** (using existing funds and staff) in a publicized statewide campaign to reach out to all strategic businesses asking: "What do you need right now to succeed? To expand?" The goal is expansion and/or retention of jobs through expanded markets/products. Each RDC would gather findings to report to the Agency of Commerce, and would promote the use of the new investment capital and tax credits (listed below) to incent new deals and new development.
- Vermont should initiate a one to **two year tax credit** for business development investments in new and growing companies here or in companies that move to the state. This "Capital Importation Business Tax Credit" would be for strategic businesses that produce products for export (bringing dollars into the state). The credits could be distributed based on jobs created or new investments made in existing or new enterprises in Vermont. This would be an expanded VEGI credit through VEPC, or an additional tax credit. Vermont should also look at easing the qualifying criteria for VEPC for one to two years to spur the deployment of these job creation credits in the short term.

- Vermont should follow the model of North Dakota (the state with the lowest unemployment in the nation) in developing a **State Bank**. People invest in the bank, and it invests in economic development in line with a mission to advance specific strategic sectors and activities.
- Vermont should support **Local Foods and Value-Added Food Development** by building state investment in the Vermont Agriculture Development Corporation.
- Vermont should build a '**Virtual Vermont Brand Site**' to unite tourism and state marketing—on-line Internet II, "VT Brand Shopping Center."
- Leverage **Clean Energy Development Fund** with additional investments to dramatically expand energy development and local distributed energy contributions statewide.
- Coordinate business partnerships to leverage further **EB5** foreign investments statewide.
- Increase the **Availability and Risk Capacity of Capital** to Stimulate Job Creation. Vermont could invest in the following ways to leverage capital from VEDA to support business expansion and retention in these challenging times.
 - A. In 2009 the Legislature gave \$1,000,000 of the State's Full Faith and Credit to enable the Vermont Economic Development Authority (VEDA) to make relatively riskier loans that it would not otherwise have been able to make. VEDA is utilizing \$500,000 of this capacity as a reserve for small business loans. The additional \$500,000 is being used as a reserve for loans in the technology sector. These businesses often have little (or no) hard assets for collateral so the risk of loss is much greater than in traditional lending. Interest, particularly in the burgeoning software sector, can translate into higher loan demand. The State of Vermont should add additional funding of \$1,000,000 (in real dollars) to these reserves (an additional \$500,000 each) in 2010 to support the growth, and in some cases the survival, of small business enterprises.
 - B. In 2009 the State of Vermont appropriated \$2,150,000 to VEDA to be used to establish the Vermont Entrepreneurs Seed Capital Fund. VEDA issued an RFP and selected The Vermont Center for Emerging Technologies (VCET) to manage this Fund. Senator Leahy provided an additional \$1,000,000 to VCET and these funds have been combined to create a total Fund of \$3,150,000. Vermont should fulfill its commitment to provide the second investment of \$2,150,000 in funding for this initiative. This seed equity investment in combination with VEDA's Technology Loan Program (above) will provide a powerful base for growth in the technology sector in Vermont.

- C. The State of Vermont provided \$1,000,000 to VEDA in ARRA funds to continue its program to subsidize its interest rates to provide stimulus for business growth and job retention in this fragile economic climate. These funds allow VEDA to lower rates for certain loans to Prime minus 3% which today makes funds available at 2%. This subsidy has proven to be a catalyst for economic growth. FY 2010 to date (July-November) VEDA has approved over \$11.8 Million in this program and committed over \$600,000 of this subsidy funding. The State should invest an additional \$1,000,000 in this interest rate subsidy program to continue the flow of capital to Vermont business.
- D. VEDA has \$70,000,000 in Moral Obligation (MO) from the State of Vermont. This MO is used as partial collateral (along with VEDA's portfolio) to support VEDA's current \$90 Million Bonding program. This program enables VEDA to access the capital markets at an attractive rate. These borrowed funds are then loaned by VEDA to Vermont businesses. VEDA has utilized approximately \$85 Million of its \$90 Million borrowing capacity. The State should add an additional \$30 Million to VEDA's Moral Obligation allocation so that VEDA can continue to grow its lending operations and expand its capacity to support and sustain Vermont businesses.
- Lower income taxes.

Ongoing Goals List

Operational goals for the economic development system or activities already underway

- Vermont must complete high speed broadband build-out throughout the state especially ensuring that these services are ubiquitous in all key economic centers.
- Vermont needs to work effectively with key economic driver employers to keep them competitive.
- Vermont needs to revise its tax policies to attract and support employers and create and retain jobs. The Tax Policy Study Group's activities are crucial to the strategic advance of Vermont's economy.
- Vermont economic development partners need to nurture Vermont enterprises.
- Vermont needs to better identify job training needs.
- Vermont needs to invest in commercial parks.

Strategic Goals List

Goals which could be a part of any long-term strategic economic development plan for the state of Vermont

- Vermont needs to make Growth Centers investment centers by reducing regulatory burdens there to stimulate business development. The state should support planning and design and provide resources to make development in Growth Centers less cumbersome and more profitable.
- Vermont needs to develop a 4 year term for the Governor and statewide offices to strengthen more strategic planning and longer term economic development strategies.
- Vermont state government needs to strategically redesign its economic development services to make them lean, nimble and strategic.
- Vermont needs to build economic incentives to support the growth of Vermont-based enterprises.

VCRD interviewed a short list of Vermont leaders to gather their best ideas for job creation; their ideas have been reviewed, absorbed, and used one way and another to stir the deliberations behind this paper. We appreciate the contributions of interviewees, including: **Ernie Pomerleau, Chuck Ross, Catherine Dimitruk, Pat Moulton Powden, Chip Evans, Jeff Carr, Steve Greenfield, Will Patten, Jo Bradley, Bill Shubart, Tayt Brooks, Mark Snelling, David Bradbury, Peter Van Oot, Tom Murray, and Tom Kavet.**



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