



The Commission on the Future of Economic Development

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Act 184 of the 2006 legislative session established the Commission on the Future of Economic Development (CFED) and transferred the responsibility for economic development planning from the Vermont Economic Progress Council to CFED (Appendix A). CFED was charged with developing a five year plan based on research and broad public engagement. The legislature, in Act 182 of the 2008 legislative session, instructed the Commission to complete the public engagement process and develop specific goals and, with input and validation by the economists of the executive and legislative branches, benchmarks (Appendix B).

To fulfill our mandate, the Commission sought expert testimony, reviewed numerous studies, and conducted a rigorous public engagement process to identify the elements needed for successful economic development in Vermont. From this long and deliberative process we have distilled four interconnected goals that we believe are the most critical to Vermont's future prosperity and vitality.

Bold and disciplined action is needed to accomplish these goals. The legislature, administration, and myriad of economic and community partners must work together with unerring discipline to focus our policies, regulations, programs and incentives on the critical interconnection between Vermont's assets, our collective values, our capabilities, and the opportunities which will increase state revenues and the prosperity of all Vermonters.

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EXECUTIVE SUMMARY

From the many comments, concerns, proposals and recommendations that we heard from our citizens, business leaders, community and civic organizations, and economic development experts, the Commission on the Future of Economic Development distilled the following **four principal goals for future economic development in Vermont that we believe are the most critical to our future prosperity and the welfare of Vermont's citizens**. These goals express what the Commission believes can be the outcome of focused, coherent economic development planning, and governmental policies and actions:

- **Vermont's businesses, educators, non-governmental organizations and government form a collaborative partnership that results in a highly skilled multi-generational workforce to support and enhance business vitality and individual prosperity.**
- **Vermont invests in its digital, physical, and human infrastructure as the foundation for all economic development.**
- **Vermont state government takes advantage of its small scale to create nimble, efficient and effective policies and regulations that support business growth and the economic prosperity of all Vermonters.**
- **Vermont leverages its brand and scale to encourage a diverse economy that reflects and capitalizes on our rural character, entrepreneurial people and reputation for environmental quality.**

These goals emerged from two and a half years of the Commission's study of Vermont's economy and the public policies that advance and impede economic development. They are interdependent and interconnected, and they must all be addressed if Vermont is to fulfill its economic development promise. We reviewed many reports on and evaluations of economic development policies (Appendix F). We heard many hours of testimony (Appendix E). We traveled to 12 regions of the state to hear from local business leaders, community organizations, and the public. We talked with representatives of the public and private sectors, traditional and emerging business sectors, educators and financial experts. Vermonters expressed concerns about economic challenges and perceived impediments to economic development. Vermonters also spoke about Vermont's assets and strengths, and offered many good suggestions for public policies and strategies for growing our economy (Appendix C).

The recent deterioration of state, national and global economic conditions has given our work a greater sense of urgency. Vermonters are very concerned about the current and future health of the economy and understand that our government's policies affect the economy in both positive and negative ways. They lack confidence that Vermont's government has a clear vision of the future, and they worry that our government does not

appear to have a coherent plan to overcome the challenges we face or to recognize and capitalize on our unique strengths and opportunities.

This Report recommends strategies for achieving each of these goals as well as associated benchmarks to measure progress towards the goals. The implementation of the strategies is the joint task of the legislature, the administration, local, regional and state agencies, non-governmental organizations and individual Vermonters. The benchmarks, identified by Vermont's state economists, will offer concrete measures for tracking how well public policies move us toward the attainment of our economic development goals (Appendix D). Ultimately, consistent monitoring of credible benchmarks will provide information on both the efficacy and cost-effectiveness of our public policies and strategies so that necessary adjustments can be made to continually improve Vermont's economic prosperity.

We did not choose these goals because they address the obstacles we face. We chose them because they represent the opportunities that spring from Vermont's strengths. We urge the legislature and the administration to embrace these goals and to act on both the urgency and the optimism with which we make these recommendations. Specifically, we urge the development of a unified economic development plan, based upon the Report's recommendations, which is adopted by the legislature and implemented by the administration as official state policy. Through wise, bold, and focused public policies, we can accomplish our ultimate vision:

Economic vitality, security and opportunity for all Vermonters

Goal: Vermont's businesses, educators, non-governmental organizations and public agencies form a collaborative partnership that results in a highly skilled multi-generational workforce to support and enhance business vitality and individual prosperity.

Vermonters' ingenuity, work ethic, and entrepreneurship have long been viewed as competitive assets. Our rapidly evolving economy requires a collaborative partnership of business people, educators, representatives from non-governmental organizations and government leaders to provide a skilled workforce to Vermont businesses, and career opportunities for all Vermonters. These partners must acknowledge the direct connection between education and economic development and assume responsibility for their roles in creating and sustaining a productive, adaptable and prosperous workforce.

[CFED BENCHMARKS]

What the Commission heard: Businesses are hindered by the lack of a sufficient number of technically skilled workers and we heard that some educational institutions are reluctant to see themselves as engines of economic development. Existing technical training, apprenticeship opportunities and workforce development efforts are valued but insufficient to meet the needs of Vermont businesses in preparing workers for the workplace.

The Commission recommends that the legislature and the administration work together to:

1. Include in a Comprehensive Economic Development Plan an education component that builds on Vermont's lifelong educational system as a significant contributor to the creation and support of economic opportunity.
2. Create a unified education budget to allocate resources for all educational and workforce training programs from pre-k through 16 and adult learning.
3. Sponsor, lead and support a collaborative partnership among governmental agencies, educators, businesses and Vermont citizens to create the curricula and resources necessary to prepare Vermonters for new career opportunities. This collaborative effort will occur in all aspects of Vermont education: traditional schooling from K through 16 as well as technical training, apprenticeships, internships, school-to-work and non-traditional programs such as The Vermont Training Program, HiTech Vermont, and Vermont Works for Women.
4. Create a robust statewide school-to-work, internship and apprenticeship program, to provide workplace and life skills (including financial literacy) training starting at the middle school level so that students are exposed to and participate in work experience and career opportunities; supply technical, legal and financial support and incentives for these efforts.

Goal: Vermont invests in its digital, physical and human infrastructure as the foundation for all economic development.

The Commission believes that an essential role of government is investment in our digital, physical and human infrastructure as the foundation for all successful economic development. It is the ground in which our entrepreneurs and businesses sow the seeds of their investments and upon which Vermonters prosper. Funding, building and maintaining our state's infrastructure are among the highest priorities for the investment of state resources.

[CFED BENCHMARKS]

DIGITAL/COMMUNICATION INFRASTRUCTURE

What the Commission heard: The lack of adequate and reliable broadband and cellular infrastructure and access across the state not only impedes the growth of existing and new business in Vermont, but may induce existing businesses to relocate to other states that have better access to broadband and cellular service. Digital infrastructure benefits include government cost savings, increased productivity, and improved quality of life for Vermonters.

The Commission recommends that the legislature and the administration work together to:

1. Hold Vermont to its commitment to provide broadband and cellular access to 100% of Vermonters by the end of 2010.
2. Incorporate the statewide digital technology/telecommunications plan into the Comprehensive Economic Development Plan.
3. Include in the statewide Technology/Telecommunications Plan statewide mapping of locations on which the construction and operation of technology and communication infrastructure is a "permitted use"; include in the state regulatory and permitting processes for digital technology infrastructure the power to preempt local plans and ordinances where there is an overriding statewide or regional public interest in developing the infrastructure.
4. Leverage Vermont's digital infrastructure and develop innovative policies to give Vermont an advantage that attracts and retains e-businesses, and supports the growth and success of existing Vermont businesses.
5. Ensure that all Vermonters have access to and share the benefits of Vermont's communication and technology infrastructure.

PHYSICAL INFRASTRUCTURE

What the Commission heard: Vermonters are very concerned over the deterioration of the physical infrastructure (especially our transportation systems) and the reliability and cost of energy.

The Commission recommends that the legislature and the administration work together to:

1. Make the development, on-going maintenance, improvement and, where appropriate, expansion of public infrastructure a key component of the Comprehensive Economic Development Plan.
2. Include in the Comprehensive Economic Development Plan a long term plan and a dedicated, restricted fund enables the necessary investments to maintain, repair, and replace Vermont's public infrastructure including, but not limited to, digital, energy, water/sewer, and transportation, including bridges, roads, railways, and airports.
3. Create a statewide public transportation authority to fund and maintain a statewide multimodal system for transporting people and products.
4. Provide support to ensure the availability and health of essential physical infrastructure for designated downtowns, village centers, new town centers and growth centers, including industrial sites.
5. Make the development, maintenance, improvement and, where appropriate, expansion of energy infrastructure a key component of the Comprehensive Economic Development Plan with the goal of secure, reliable, and cost-competitive energy through energy conservation, renewable energy, efficiency, and small scale power generation.

HUMAN INFRASTRUCTURE

What the Commission heard: Vermonters are struggling to secure basic needs such as health care, child care, affordable housing, and quality education. These basic needs were identified as prerequisites to, rather than the product of, economic development. Employers recognize that the health and well-being of our workforce is critical to business success. Worker recruitment, retention and productivity depend on worker quality of life as measured by wages, as well as by health care, child care, housing, connected communities and a healthy environment.

The Commission recommends that the legislature and the administration work together to:

1. Recognize Vermont's investments in education, community programs, and human services as economic development investments, and make the availability, creation and funding of human infrastructure a key component of the Comprehensive Economic Development Plan.
2. Invest in higher and post-secondary education, health care, childcare, and job readiness to provide Vermonters the ability to participate in the workforce.
3. Create regulatory changes and make investments needed to increase the supply of workforce housing.
4. Establish an equitable and economically sustainable system that provides basic health care to all Vermonters and rewards healthy behavior and wellness.

Goal: Vermont state government takes advantage of its small scale to create nimble, efficient and effective policies and regulations that support business growth and the economic prosperity of all Vermonters.

Vermont is a small rural state, smaller than other states in almost every aspect. The Commission believes that our scale can become an asset in this fast-paced global economy that rewards flexibility and agility. While our government agencies are small, they are not nimble and our policies often impede economic opportunity at the expense of Vermonters' quality of life. Significant restructuring of agencies and policies can increase efficiency and effectiveness without significant public investment.

[CFED BENCHMARKS]

INTEGRATED STATEWIDE PLANNING & POLICIES

What the Commission heard: Despite its small scale and accessible government, Vermont lacks a shared statewide vision of its economic future. Economic vitality in Vermont is hampered by the lack of coordination among state agencies, between regional economic development corporations and regional planning commissions, and among these regional entities and various state agencies. As a result of these disconnects, Vermont lacks a single, integrated state plan for economic development.

Additionally, we heard that coordinated regional input is imperative for an effective, nimble and integrated statewide economic development plan. Strong regional development organizations and regional planning commissions are critical partners and resources.

Vermont's small scale and easy access to our government is a potential strength, but we often fail to take advantage of the opportunities that our "smallness" offer us.

We urge the development of a unified Comprehensive Economic Development Plan, based upon these recommendations, to be adopted by the legislature and implemented by the administration as official state policy.

The Commission recommends that the legislature and the administration work together to:

1. Establish an inter-agency Economic Development Planning Team at the Secretary level that has the responsibility of developing, adopting and implementing a statewide economic development plan with broad public input that integrates regional land use and economic development plans, state agency plans, and the goals and recommendations of this Report into a single statewide Comprehensive

Economic Development Plan. The team should include representatives of all relevant state agencies that are directly or indirectly involved in or whose policies affect economic development, including Commerce and Community Development, Natural Resources, Agriculture, Transportation and Human Services. This statewide Comprehensive Economic Development Plan will be submitted to the state legislature for full endorsement.

2. Recognize in the Comprehensive Economic Development Plan the importance of indigenous, small-scale, value added and land-based entrepreneurs and businesses in our economy and to our economic future; specifically target economic development policies and support to sustain and grow our existing businesses and create opportunities for emerging businesses and entrepreneurs.
3. Create and maintain a single portal, through the Economic Development Planning Team and its regional economic development and planning partners, for entrepreneurs and existing businesses to access coordinated technical and financial assistance for growing and expanding businesses in Vermont.
4. Expand the capacity and ability of Vermont colleges and universities to provide targeted assistance to entrepreneurs, including but not limited to business management and financial training, research and development, technology transfer, patent processing, internships and mentoring.
5. Provide a process, sufficient funding and technical support for Regional Economic Development Corporations and Regional Planning Commissions to work collaboratively to develop comprehensive regional plans that serve as the foundation of and are integrated into the statewide Comprehensive Economic Development Plan.
6. Broaden and revise growth center laws and regulations to create greater flexibility, greater efficiency, and stronger incentives for development of and within growth centers. Provide planning grants and technical assistance for the establishment of growth centers. Empower conclusive determinations of state and municipal regulatory criteria at the time of growth center designation. Create enhanced financial incentives (including tax incremental financing, tax incentives and targeted VEGI programs) for businesses and for investment in human infrastructure (including child care, health care, work force training, and affordable housing) that support growth centers.

EFFICIENT REGULATION AND PERMITTING

What the Commission heard: Inefficiencies in our state and local regulatory and permitting programs, including a lack of coordination among state regulatory agencies and redundancies in state and local regulatory programs have hampered economic development and investment in Vermont. Navigating the permitting process can be unnecessarily difficult, time consuming and expensive and many potential entrepreneurs and investors may simply give up.

The Commission recommends that the legislature and the administration work together to:

1. Empower the Economic Development Planning Team to be the state's representative in all permitting and regulatory processes to consolidate and streamline the State's participation in the permitting process; the Team should provide a single, timely, statement that represents a consensus of all relevant agencies and is consistent with the Comprehensive Economic Development Plan.
2. Identify and eliminate both substantive and procedural redundancies among local, regional and state regulations.
3. Establish mandatory performance criteria and time limits for regulatory and permitting decisions, measured from the date of application for the date of issuance or denial of all state or local permit or approval, that recognize the adverse effect that undue permitting delays have on economic development.
4. Include in all regulatory and permit programs a requirement, for all those applying for land use development permits or regulatory approvals and those seeking party status (including statutory parties), to participate in mediation for all disputes. This mediation process will be available at the request of any applicant or party at any time following the filing of an application — including after an issuance of preliminary findings by the permitting or regulatory authority prior to a final ruling.
5. Require all land use, development and permitting statutes, regulations and rules to provide for comprehensive permitting and pre-approval of specific growth centers, "master planned" areas and "shovel-ready" sites for commercial and industrial development, housing development and physical infrastructure.

Goal: Vermont leverages its brand and scale to encourage a diverse economy that reflects and capitalizes on our rural character, entrepreneurial people and reputation for environmental quality.

We have an opportunity to use our brand and shared values to our competitive advantage. Now is the time to leverage our natural resources, and small scale to stimulate economic vitality and prosperity. While Vermont’s pioneering land use and environmental regulations are frequently perceived as an impediment to economic development, our reputation for environmental stewardship can be turned to our advantage. Vermont businesses, government and environmental organizations must be partners and leaders in supporting and creating a green economic sector and the use of green business practices throughout our diverse economy.

[CFED BENCHMARKS]

What the Commission heard: The strength of our state economy is dependent upon a diversity of business sectors. There are unique and innovative Vermont businesses that are successfully competing in the global marketplace that need to be nurtured. There is broad consensus that Vermont can further leverage its brand, including its green reputation, into economic gain. Our entrepreneurial people, healthy environment and connected communities – our quality of life – is a genuine economic asset.

The Commission recommends that the legislature and the administration work together to:

1. Ensure that Vermont policies and programs support and retain Vermont’s existing businesses while offering additional financial and regulatory incentives that encourage investment in the “green economic sector” – energy efficiency, renewable energy, sustainable and value-added agriculture, forestry and other land-based sectors, knowledge-based industry—and in “sustainable and green” practices.
2. Promote entrepreneurial efforts by creating more effective incentives for investors to invest in Vermont’s small businesses. Evaluate and, where appropriate, reduce or remove regulatory barriers to aggregating and accessing private capital by modifying “capital formation”, “Blue Sky” and “licensed lender” restrictions.
3. Adopt and evaluate taxation policies that are competitive with other states, provide value to Vermonters, assist in new business formation, and are progressive without being punitive or unpredictable.
4. Stabilize and, where possible, reduce major business costs that are affected by public policy including, but not limited to, the following: energy, health care, taxes and workers compensation.

Conclusion

The Commission on Future Economic Development has worked diligently to produce for the Vermont legislature a vision and set of goals for our economy that leverages our strengths and acknowledges the turbulent economic conditions. As intended when the Commission was established by the legislature in 2006, the members of the Commission represent a broad diversity of backgrounds, constituencies, political and social values. Yet through a collaborative process that emphasize our shared values and vision for Vermont rather than our differences we were able to come together to unanimously support the goals. We believe the recommendations of this Report are vital to Vermont's long term economic success. We are confident that, if we can do it, so can the diverse constituencies in our government come together to establish laws, regulations, policies and actions that will be necessary to attain the four goals.

The ultimate objective of Vermont's economic development strategies is the economic security and prosperity of Vermonters. The Commission believes the four goals outlined in this report are guideposts for current and future legislation.

The strategies listed under each goal are recommended priorities for legislation in the upcoming session. It is imperative that an annual and multi-year statewide action plan is jointly developed that includes clear objectives, assigns responsibilities and timelines, and attaches budgetary support.

While changing economic conditions may reorder the priorities or demand new initiatives for the immediate future, we believe that the goals are enduring as they are the underpinnings for economic vitality, security and opportunity for all Vermonters.

Respectfully submitted on January 14, 2009,

Jay Kenlan, Chair

William Botzow, Vice-Chair

Appendices Online at www.snellingcenter.org/cfed
or Available Upon Request

- A. Act 184
- B. Act 182
- C. **Key Themes in Stimulating and Supporting Future Economic Development:
Report on the Public Engagement Process to the Commission on the Future
of Economic Development, October 2008**
- D. **Benchmarking Criteria used by State Economists, December 2008**
- E. **Summary Listing of Presenters**
- F. **Summary Listing of Publications/Reports**