

**Unlocking Vermont's Economic Potential
Ralston-Scheuermann Bill
Section-by-Section Summary**

Overview

Vermont's recovery from the Great Recession continues, but we have not regained our pre-recession strength – either in traditional economic measures, or in the newly released Genuine Progress Indicator. Vermont's lower-than-average unemployment rate is being influenced by negative forces. It appears Vermont may be at risk of resetting our wage earnings at a lower rate leading to lower real median income in the state. According to the January 2014 Economic Review published by Kavet, Rockler & Associates,

"...much of the recent improvement in the U.S. unemployment rate has been the result of declining labor market participation. In December of 2013, the participation rate dropped to its lowest level in more than 35 years, as unemployed workers discouraged by the persistently weak job market dropped out of the labor force in droves. This serves to lower the unemployment rate, but underscores the exceptionally weak employment growth that has characterized this recovery."

But, the Kavet report has a hopeful tone, and highlights indicators that show our economy may be poised for real improvement.

"...there are perceptible shifts on the economic horizon that could soon result in accelerating economic growth and improved State revenues."

Now is the time for bold, strategic initiatives that fan the sparks of "new economy" entrepreneurship in Vermont while helping our important legacy industries improve their competitive position in regional markets.

The House Commerce and Economic Development Committee is working on two bills, that taken together, will build on our goals to "Encourage, Reward, and Protect" private sector risk-taking that leads to living wage job growth and increased state revenues. One bill focus on workforce development; the other deals with strategic incentives to unlock Vermont's economic potential.

This is a section-by-section summary of the latter.

Section 1 – Creation of a One-Stop Shop for Business Start-ups

This section creates a long-desired "One-Stop Shop" for new businesses being created in Vermont. The current structure for setting up and registering a business is extremely complicated, and the bureaucratic hoops through which Vermonters must jump can both discourage entrepreneurs and result in incorrectly set-up businesses. This section will allow Vermonters to set-up their new business much more easily and efficiently, in one shop within the Agency of Commerce and Community Development.

By Linda Rossi, State Director, Vermont Small Business Development Center

VtSBDC (Vermont Small Business Development Center) is a statewide program funded by the U.S. Small Business Administration and the State of Vermont, Agency of Commerce and Community Development—with a mission to support and strengthen start-up and established businesses. A certified Business Advisor serves each county and is co-located with the 12 Regional Development Corporations. There are many facets to this work and I'd be happy to provide an overview which includes, but is not limited to:

- a) A workshop conducted around the state by VtSBDC advisors, titled "Starting Your Own Business"—is a 4-hour program that is designed as a step-by-step guide for the first-time business owner. (Features of the program, and what is included ---is provided in a separate attachment)**
- b) For three years, VtSBDC had additional federal funding (by the Small Business Jobs Act) which added support for start-up entrepreneurs in the two highest population areas**

(Northwest and Central Vermont)—during that time, the efforts of the two people hired to focus on helping start-up businesses—had the following results:

- a. 274 Jobs Created
- b. 154 New Businesses Started
- c. 13.3 Million in new capital accessed

This funding ended January 31, 2014 (but the model and system could be re-started as the demand for this assistance continues and we are well positioned to execute)

- c) Several years ago, the SBA, VtSBDC, and Vermont’s Secretary of State created, “Community Business Connections”—with a website (www.startabusinessinvermont.net) and a checklist with live links to help anyone who is thinking of starting a business know the steps and organizations that are part of the process. This checklist resides on the Secretary of State’s website.

This section also directs the Department of Economic Development to certify Vermont’s “Knowledge-Based (“New Economy”) Businesses” – businesses whose value and purpose is based on intellectual property rights, information technology, and similar products and services.

VtSBDC has a Technology Commercialization advisor, and this certification by the Commissioner could link to our advising of businesses who are working towards the commercialization of innovative products and technologies.

Section 2-3 – Vermont Entrepreneurial Lending Program

Financial capital is one of the key ingredients of economic growth. New Economy businesses often started and move through growth with few assets that can collateralize traditional commercial loans. This section will create the Entrepreneurial Loan Program (administered by VEDA), designed to help knowledge-based business overcome these barriers. The State and VEDA will join together to provide a loan-loss reserve of 20% of the fund to underwrite the higher level of risk in these new economy loans. No State funds will be loaned through the program.

Section 4 – Vermont Entrepreneurial Investment Tax Credits

Private investment capital (equity) is the principal source of venture capital for Vermont start-up and growth businesses. Private equity is fully at risk in a venture, and frequently that capital will be leveraged with commercial debt. The State wants to encourage investment of at-risk private capital in Vermont businesses.

This section will create an Investment Tax Credit of 60% of those investments, which can be earned by the investor over a four-year period.

Section 5 – Connecting Capital Providers and Entrepreneurs

It has become evident that one missing link in Vermont’s capital market is actually connecting capital providers with the entrepreneurs. This section will simply provide \$10,000 to the Vermont Technology Alliance to award grants of up to \$2,000 to an organization to sponsor a networking event.

VtSBDC’s Technology program (funded for 12 months under the federal FAST grant)—could link to this program, and the proposed grants. The FAST grant is, by project design, focused on supporting small businesses in Vermont who are interested in gaining a unique advantage through the development of transformative innovations and commercialization of their technology; with a specific emphasis on opportunities to women-owned businesses and disadvantaged individuals.

Section 9 – Creation of a “Domestic Export” Marketing Program for Vermont Producers

Currently, the State of Vermont has programs in place to help businesses when they want to export products internationally. But, there is a large domestic market in other states that Vermont producers should be encouraged to pursue.

This section directs the Agency of Commerce and Community Development and the Chief Marketing Office to create a “Domestic Export Pilot Program” within the “Made in Vermont” designation program that would do the following:

- 1) Connect Vermont producers, with brokers, buyers, and distributors in other US state and regional markets;
- 2) Provide technical and marketing assistance to our state’s producers; and
- 3) Provide matching grants of up to \$2,000 per business per year to attend trade shows and other events.

VtSBDC has three advisors certified as Export/International Trade specialists, two of which have the NASBITE designation of Certified Global Business Professional. In our advising work with business owners, many times the conversation about exporting (both domestic and international) come up as part of overall growth/marketing strategy. We will be interested to follow this portion of the bill going forward, for coordination of services.