

# Speaker's Economic Development Proposal Review Group

March 16, 2015

## Introduction/Preamble

Speaker Shap Smith's request for proposals from Vermonters to improve job growth and economic performance generated more than 80 proposals from a diverse group of Vermont citizens, businesses, and organizations. The advisory group has reviewed these proposals and forwards the recommendations below to the Speaker for further consideration by the Legislature.

A review of the submissions suggests that Vermont has many strengths and is currently doing a lot of things right when it comes to economic development. Examples include innovative programs through VEDA, regional economic development organizations, the working lands enterprise program, and the Vermont Training Program. We have accessible government and policymakers, and great business-to-business networking and support. The Vermont "brand" is associated with a talented, honest, and productive workforce; a clean environment and beautiful open spaces in which to live, recreate, and attract employees; and high quality products and services. Many believe our "brand" can and should be extended to encompass Vermont's strong culture of entrepreneurship, creativity, and innovation to draw talent and investment to our state.

However, it is also clear from the submissions that there are barriers to success for businesses that must be addressed. The cost of doing business in Vermont can be difficult and unpredictable for both large and smaller businesses. There is considerable concern about the cost of energy, health care, housing, and government. Demographically, Vermont is getting older, with troubling implications for the Vermont economy as a whole and for businesses that need skilled employees to generate future growth. This is not just a business issue. Thriving companies grow, prosper, and create economic opportunities in vibrant, healthy communities. Many Vermonters are finding it increasingly difficult to afford the quality of life we value and rely upon.

We believe there are opportunities to address these challenges while building on Vermont's strengths. Our goal in evaluating these proposals is simple: Will they address the cost challenges facing Vermont businesses and increase employment opportunities for Vermonters – especially younger Vermonters? In sorting through these proposals, the advisory group has prioritized those proposals that it believes will help existing Vermont businesses expand and those that will help Vermont attract entrepreneurs and employers with the potential to create high paying jobs.

The group believes that the goal of Vermont's economic development policy should be to encourage innovation and entrepreneurship. However, we must also market Vermont not only as a place to recreate and enjoy nature but also to start and grow a business. We cannot emphasize enough that pro-growth economic policies only work if potential entrepreneurs and employers know about them.

Given the Speaker's tight timetable for completing our work, the group has sorted our recommendations into three categories. The first category includes proposals that could be addressed during the current legislative session. The second are those proposals that could be addressed during the current biennium. A final group of proposals are those we believe warrant long-term review and study by the Legislature.

Please note that while the group was in agreement on its report, strict consensus was not sought nor was it achieved in every case.

#### **Recommendations for action by the Legislature in the 2015 session:**

Given the current fiscal situation in Vermont, it was felt that we should avoid suggestions requiring direct appropriations and instead focus on initiatives to liberate private capital and reward investment.

##### **Tax Policy:**

- 1) Implement an angel investment tax credit
- 2) Pass legislation clarifying that the sales tax does not apply to remotely accessed software (Cloud Tax)
- 3) Enact an employee relocation income tax credit
- 4) Restore the Research & Development tax credit

##### **Access to Capital / Capital Formation:**

- 5) Repeal or substantially reform the licensed lender law

##### **Other:**

- 6) VEGI – Develop a process to simplify and strengthen the program so it will work for more employers

#### **Recommendations for action by the Legislature in the 2015/16 biennium:**

##### **Tax Policy:**

- 1) Examine benefit “cliffs” and reform EITC and income support payment programs to mitigate financial penalties from work
- 2) Refine the “Amazon Tax” policy

##### **Workforce Development and Training:**

- 3) Map all programs across agencies and create a single coordinated budget for workforce development

##### **Access to Capital / Capital Formation:**

- 4) Create a regulatory framework to encourage crowdfunding
- 5) Offer loan guarantees to match/support private sector debt funding for essential business infrastructure, such as telecom build-out.

##### **Permitting:**

- 6) Progressive Process Improvement (reforms that constructively reduce cost and time)
- 7) Enact a package of reforms to expedite the construction led by the private sector of new workforce

housing (downtown construction tax credit, density bonus, speed up permitting for targeted housing projects, redevelopment initiatives) that considers 'smart growth' principles.

**Energy:**

- 8) Lower industrial rates through demand charge changes or other rate design initiatives
- 9) Implement a commercial rooftop solar Standard Offer pilot utilizing existing statute and the program's savings from new solar rates
- 10) Review efficiency and integration of state's efficiency programs

**Recommendations for long-term review and study by the Legislature:**

- Revisit Blue Ribbon Tax Commission recommendations
- Examine the benefits of instituting a carbon-based tax on a revenue neutral basis, replacing other taxes to encourage economic activity (e.g., corporate income tax).
- Appropriate money to a "seed capital" fund
- Target tax incentives to young entrepreneurs
- Examine eliminating the corporate income tax
- Create a "Vermont Embassy" in Boston, Montreal, and New York
- Review effectiveness of growth center designation
- Enhance our public transportation system
- Review the Current Use program to, among other goals, ensure land is open for ownership and entrepreneurship by younger Vermonters
- Collect business data with GIS by community