



**THE VERMONT
FUTURES**
Project

A VISION FOR VERMONT'S ECONOMY

In 2040 Vermont has a growing economy and continues to be a great place to live, work and build a business.

VERMONT FUTURES PROJECT

The Vermont Futures Project was launched to improve Vermont's economy through research, data and policy development, and above all leadership to add vision consistency beyond Vermont's two year political cycles.

Our online economic dashboard at VTFuturesProject.org offers an overview of the Vermont economy today. We held conversations across the state to discuss the data and to ask, **“What does success look like?”** This report reflects conversations with over 400 people – their concerns, ideas and questions – culminating in a vision for Vermont's economic future.

The Vermont Futures Project believes a bright future depends upon healthy economic growth. We want to instill a sense of pride in Vermont's assets backed up with a commitment to growth. Vermont should be a place of opportunity and hope for all people, a great place to do business, competing successfully with other regions because of our vibrant economy, talented workforce, and unparalleled quality of life. We are all part of the Vermont economy: tech entrepreneurs and custom home-builders, parents and teachers, nurses and ski lift operators, farmers and CEOs, retirees and college students.

Improving economic conditions requires more than research and policy. We need to shift attitudes and create a business climate that supports the economic activity on which Vermont depends for jobs, spending and revenue. The economy is often taken for granted. But robust economic conditions

are what allow us to strengthen the quality of life we hold dear and affirm our commitments to high quality education and healthcare, to a clean environment and great communities, and to future generations of Vermonters.

There is a sense of unity when we look forward, toward a future where Vermont is an economically vibrant state, where a new generation is finding opportunity and meaningful work and where innovation and tradition thrive side by side. Join our effort to grow Vermont's economy.



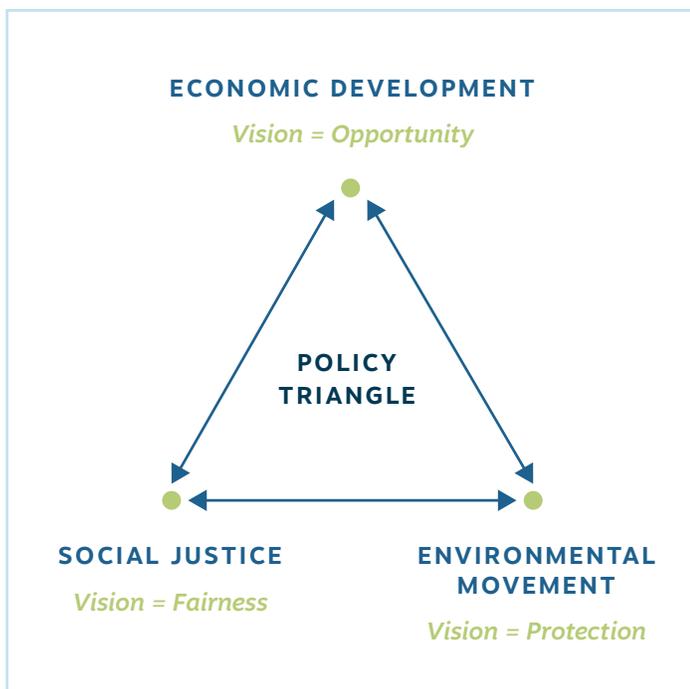
*William C.
Shouldice, IV*

*Chair, Vermont
Chamber Foundation
Board of Directors*

PROJECT OVERVIEW

The Vermont Futures Project is a data-driven initiative to secure Vermont's economic future and provide greater opportunity for Vermonters.

We are committed to paying long-term attention to Vermont's economic health in order to improve the state's economic performance and prognosis. Launched by the Vermont Chamber Foundation, the Vermont Futures Project seeks to provide leadership, research and education in order to foster productive conversations and better policy.



The triangle of Economic Development, Environmental Protection, and Social Justice illustrates the three sets of values that have to be negotiated in creating public policy that shapes a community, state, or nation. Different sets of conditions will produce different resolutions, but all three elements need to be satisfied for healthy development.

Employers across the state are increasingly unable to recruit a sufficient number of qualified workers, whether for entry level or highly skilled positions. There is a broader problem as the State government

struggles to match revenue with expenditure each year and revenue forecasts offer little prospect of relief. Vermont needs a stronger economic base supported by commitment to growth and leadership.

THREE INITIAL NEEDS

The Vermont Futures Project has focused on three initial needs: a need for objective data and research about the economy, a need for a statewide constituency to support action for the economy, and a need to develop stronger policy that can successfully shape Vermont's economic future. Phase I of the Vermont Futures Project centered on data, with the VTFuturesProject.org economic dashboard published in January 2016. It provides a snapshot of the state's current economic health and is already undergoing the first annual update. The data is presented in a way designed to stimulate conversation and prompt action, while offering metrics to use as benchmarks of Vermont's long term progress towards healthy economic growth by achieving steady, positive and measurable outcomes.

A VISION FOR THE STATE

Phase II creates a vision for the state. We began with a series of ten discussion forums hosted by local and regional organizations where data from Phase I was presented and participants spoke about what this means in their regions, in their communities, and in their lives. The vision presented here is built on those conversations. Phase III begins in the fall of 2016, with policy and strategy development around Vermont's workforce and talent needs.



WHY A VISION?

In Phase II the Vermont Futures Project launched a statewide discussion about Vermont's economic future grounded in facts and data. The goal was to collaboratively develop a sense of what success looks like. Over 400 individuals participated in ten events to begin building an economic vision for Vermont's future. As people reviewed the data, they made the case that Vermont's economy requires attention now.

Participants shared their own concerns, solutions and personal visions, struggling with big ideas and the difficult details of how to preserve what is working and fix what is not. Perspectives varied, but some important themes were consistent across Vermont including:

- **A deep and abiding concern for one another's welfare.**
- **A desire to preserve Vermont's quality of life.**
- **A belief that opportunity and prosperity are essential Vermont values.**
- **The hope that future generations will find opportunity here.**

The vision for a healthy economic future will be realized because of the compassion and commitment evident in every corner of the state. It unites us.

GROW VERMONT SUSTAINABLY

Over the past year, the Vermont Futures Project has gathered stories from hundreds of people who expressed the need for more population growth

“ The vision for a healthy economic future can be realized because of the compassion and commitment in every corner of the state. **It unites us.** ”

and more economic activity. They feel a sense of urgency and see that the risks present with inaction are too great for us to wait. When a business fails for lack of workers, customers, or room to grow, it's very difficult to replace it. There is hard work ahead to reverse these trends, but Vermonters are eager for this change and a chance to grow Vermont in a sustainable and responsible manner so our trends can begin to show hope and promise for the future.

The energetic presence of young professionals statewide shows this way of life appeals to the next generation, as it always has. The challenges of young people who stay, return or adopt Vermont must be central in any conversation about how Vermont grows. They need help bridging the gap between salaries and cost of living. They want communities that reflect their own Vermont values. This includes a critical mass of other young people, cultural activity, connectivity, quality housing and a great workplace where they can make a difference. Today some young people overlook Vermont because they don't see opportunity here. We need to change the narrative about living and working in Vermont and make the commitments necessary to deliver on that promise with a vibrant and growing economy.

THE POLICY MARKETPLACE

An economic vision shows what we hope to achieve. It also helps engage in the state's "policy marketplace" where priorities are set and decisions made. Vermont is guided by attitudes forged in an era of rapid change (1970s – 1990s). We built a strong policy apparatus to control growth and that downplays the importance of businesses, jobs, and tax base from which the State draws resources. Yet business, commerce and industry are critical for prosperity and quality of life. It is time to prioritize the economy's importance and foster policies and attitudes that help businesses overcome the challenges of operating in a small, rural state. Vermont's public policy in the past thirty years reflects our commitment to environmental conservation, a growing commitment to social justice, and a hope that the economy would support those interests. It is now evident that we have not paid enough attention to our economic health. Our ability to thrive depends on being able to attract, guide and nurture growth carefully and consistently. Real success requires balancing our environmental and social visions with a robust vision for economic health, opportunity and prosperity.

THE TIPPING POINT

Today Vermont is at a tipping point, after which challenging conditions may worsen to a crisis. The first sign is in workforce supply. The number of workers has been flat and beginning to decline. We lack enough young people to replace a growing number of retirees. Given employment and demographic data, regional surveys and anecdotes from employers, the Vermont Futures Project estimates that Vermont needs thousands more workers each year in order to maintain a healthy workforce.

A second warning sign is the chronic State budget problems where expenses keep outpacing revenue growth. The scramble to adjust formulas, find spending reductions or raise taxes becomes more difficult each year. Solving this problem by expanding

VERMONT NEEDS TO GROW

the economic base from which revenue is derived would allow the State to afford its current level of spending and decrease the need for higher tax rates. This is long-term work that must be broad and deep across all sectors.

WHAT DOES SUCCESS LOOK LIKE?

The data at VTFuturesProject.org illustrates the sense of urgency, but also highlights opportunities. Vermont's low productivity compared to the U.S. and New England points to three areas State policy can affect and improve. First, we can shift Vermont's reliance away from labor-intensive, non-exporting sectors. Second, because firms with unfilled positions are less productive, we can fix the workforce shortage that causes involuntary contraction. Third, more Vermonters can get the right skills needed for the jobs we have.

Vermont needs employers, and they need a steady supply of talent to succeed. This means lasting solutions to match workforce supply with demand and pathways connecting people to education and training. Vermont must offer the basic conditions modern businesses need to start, and more importantly to last, compete and grow. We need broadband and cell coverage. We need enough customers for local businesses and economic clusters robust enough to compete nationally. We need great roads and rail to move value-added products to export markets, and cutting edge facilities for dairy cows or advanced manufacturing, built in a timely, predictable and affordable fashion. Vermont needs to grow.

ECONOMIC VISION FOR THE FUTURE

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GROWTH TARGETS

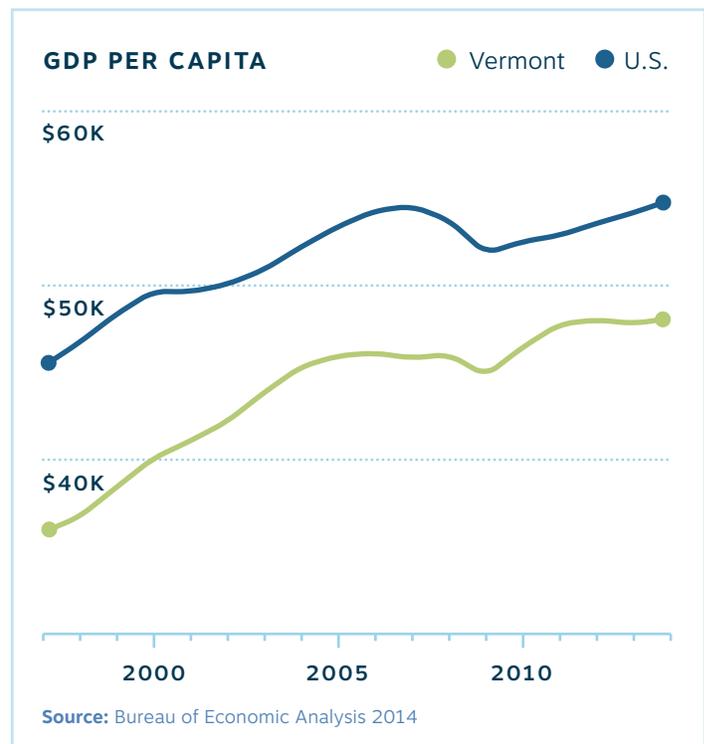
The economy is composed of many interconnected elements that interact as a system. When all of the elements work together in a virtuous cycle they reinforce one another and produce the complex benefits of a healthy economy. The Vermont Futures Project vision is a growing economy and has set the following targets to increase prosperity and opportunities statewide. These targets were selected to reinforce the economic pillars tracked at VTFuturesProject.org. Reaching these targets over time will ensure Vermont continues to be a great place to live, work and build a business.

1. ECONOMIC ACTIVITY

Vermont's economy comprises a diverse mix of sectors that together produce the **Gross State Product (GSP)** - the sum of economic output or all value added by industries. A healthy state economy imports dollars through value-added services and production, and retains dollars through local consumption and investment, and business-to-business spending.

WE TARGET GROSS STATE PRODUCT PER CAPITA AS AN INDICATOR OF PRODUCTIVITY.

Vermont is 33rd in the nation at \$48,123 and second to last in New England. This is a result of the economic base and employment shifting to more labor-intensive service industries like health care, education and government, and low wage occupations. It is also a sign that businesses can, and must, become more competitive which requires investment, innovation and talent. A 7% increase would move Vermont to 25th in the nation.

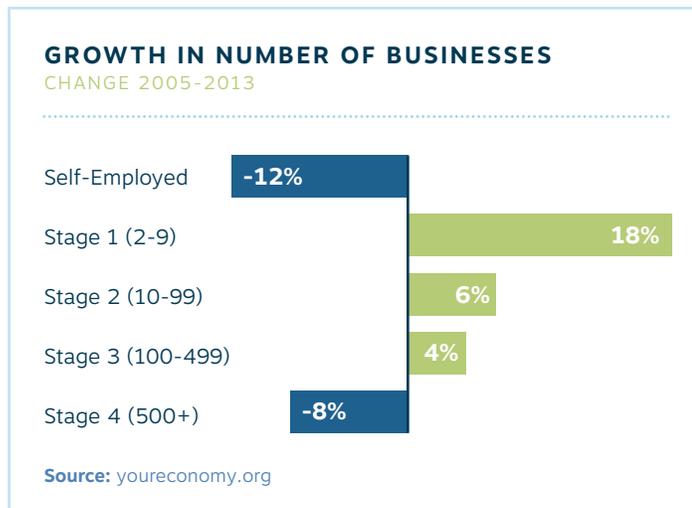


TARGET: By 2040 Vermont is in the nation's top 25 for Gross State Product per capita.

2. INNOVATION & ENTREPRENEURS 3. VERMONT DEMOGRAPHICS

Whether it's new startups, growing family farms, or established companies innovating to compete globally, Vermont businesses deliver the products and services that fuel the state's economy.

Vermont's startup survival rate is 6th highest in the nation and we are 7th in people working for a small business, but we need startups that mature, and small companies that grow.



WE TARGET THE GROWTH OF MID-SIZED FIRMS (20-499 EMPLOYEES) BECAUSE THEY ARE A MAINSTAY OF VERMONT'S EMPLOYMENT BASE, PROVIDING STABLE JOBS, GOOD PAY AND CAREER OPPORTUNITIES AT A SCALE THAT FITS VERMONT.

In the 1990s Vermont added 2-3% annually to the number of mid-sized business, but during the recession we lost 3% of our mid-sized employers and recovery still lags. We must improve the rate of formation, retention and growth of firms to secure our future employment base and restore a dynamic business environment. When companies are growing, Vermont is growing.

TARGET: By 2040 the number of mid-sized businesses has grown by 25% to over 2,700.

Demographic trends continue to reshape the face of our communities and drive workforce supply as well as demand for services and goods. While Vermont currently enjoys a high level of prosperity with median household income ranking 14th in the U.S. and poverty rates below U.S. averages, we can do better.

WE TARGET HOUSEHOLD INCOME BECAUSE IT IS A MEASURE OF GENERAL PROSPERITY THAT SETS VERMONT APART AS A RURAL STATE.

We also have a high cost of living, low wages, and growing reliance on unearned income (including retirements and disability claims in young adults). Income tax revenue increasingly comes from a small base of highly mobile and affluent filers, creating a persistent weakness in the middle-income base. Median household income in 2014 was \$60,708. Raising it by 4.5% to \$63,408 would rank Vermont 10th above Massachusetts. Healthy economic growth will reinforce quality of life for working families. When Vermonters prosper, Vermont will prosper.

TARGET: By 2040 Vermont is ranked in the top 10 for U.S. median household income.

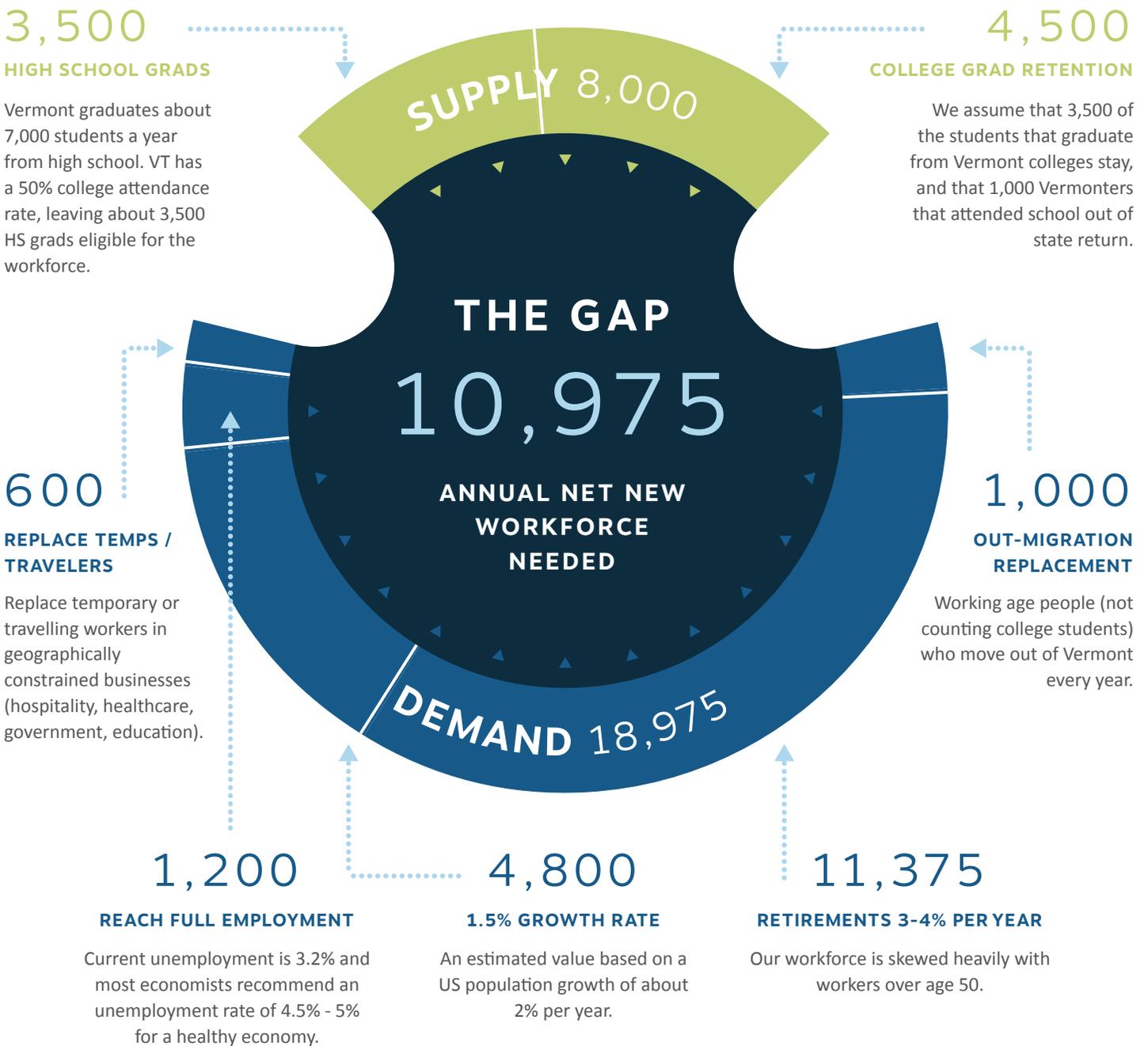
INDUSTRIES WITH THE BIGGEST DIFFERENCE IN COMPENSATION PER WORKER, VT VS. U.S.



Source: Bureau of Economic Analysis (Data from 2013)

WORKFORCE SUPPLY GAP

We believe it is crucial to understand the demand for workforce in Vermont over the next twenty years to give policy makers and leaders the information they need to set a path forward and allocate resources. **We are particularly concerned about two dynamics:** 1) The Vermont workforce is highly skewed to age 50+ which means that in the next fifteen years we will see an accelerating wave of retirements, without a sufficient replacement workforce. 2) There is a substantial unrecognized workforce demand already that is limiting the ability of our employers and businesses to meet their goals.

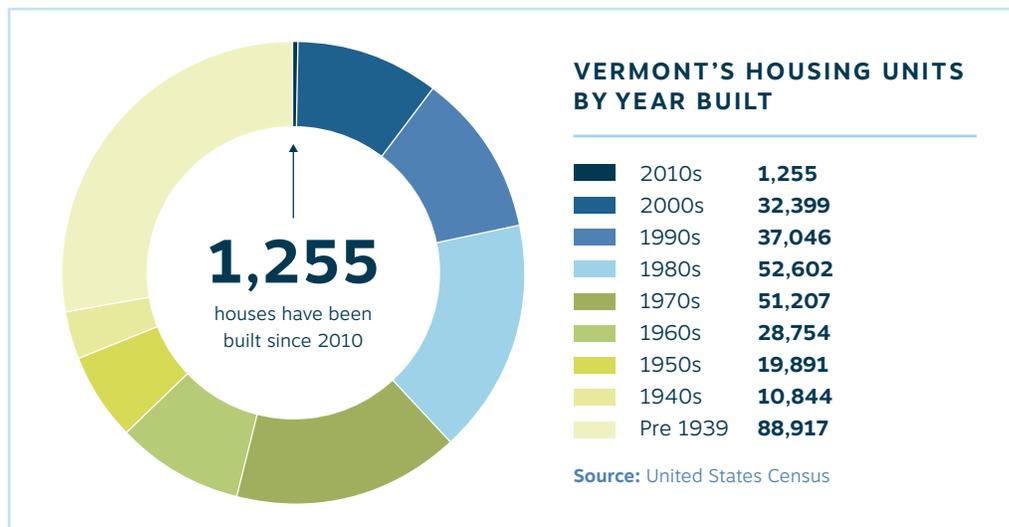


4. WORKFORCE & TALENT

Vermont's economy runs on great people. We need teachers and nurses, farmers and machinists, web builders and loan officers. Unfilled positions, too few candidates, and rising demand due to retirements are threatening the health of Vermont's employers and therefore our economy.

WE TARGET WORKFORCE SUPPLY BECAUSE IN THE LAST 15 YEARS OUR POPULATION AND WORKFORCE HAVE GROWN TOO SLOWLY TO MEET DEMAND.

Vermont's current unemployment rate is very low. This means too few people to fill jobs and in the next twenty years a majority of our current workers will retire. Current population trends indicate we will



have insufficient supply to replace them, threatening the health of Vermont's businesses and institutions. This is the single biggest challenge in the Vermont economy. Ten thousand additional workers per year, in addition to the current resupply from graduates and new residents, will reverse the trend of a shrinking workforce and meet Vermont's demand for talent.

TARGET: By 2040 Vermont is welcoming 10,000 additional new workers per year.

5. QUALITY OF PLACE

Beautiful vistas, clean air and water, vibrant communities – the quality of Vermont places is integral to our quality of life. Attractive, affordable and efficient homes will revitalize Vermont communities, and enable us to leverage the Vermont brand to attract people and businesses.



WE TARGET THE HOUSING SUPPLY BECAUSE IT IS CRITICAL TO ATTRACTING AND RETAINING THE PEOPLE VERMONT NEEDS FOR ECONOMIC GROWTH.

Vermont produced several thousand homes each year in the 1960s through the 1990s. By 2014 residential building permits dropped to 1,546, which is half of 2005 levels. The result is an aging housing stock, tight supply and rising prices near employment centers, forcing people to make difficult choices about how and where to live. The Vermont Housing Needs Assessment found 3,000

units annually are needed, using current population growth projections. To accommodate the additional new workforce Vermont needs for a growing economy we need more. Building 5,000 new housing units per year would reduce housing as a constraint to economic success and produce the homes and communities Vermont needs to attract talent.

TARGET: By 2040 Vermont is creating 5,000 new and retrofitted housing units per year.

6. INFRASTRUCTURE & INVESTMENT

Vermont needs infrastructure and investment that makes strategic land use choices to support a healthy economy while protecting the environment.

Infrastructure increases performance of land in order to support homes, services and commercial activities, and determines the nature of the property tax base.

WE TARGET GROWING VERMONT'S COMMERCIAL GRAND LIST VALUE, THE PROPERTY TAX BASE COMPRISING ONE THIRD OF STATE REVENUE.

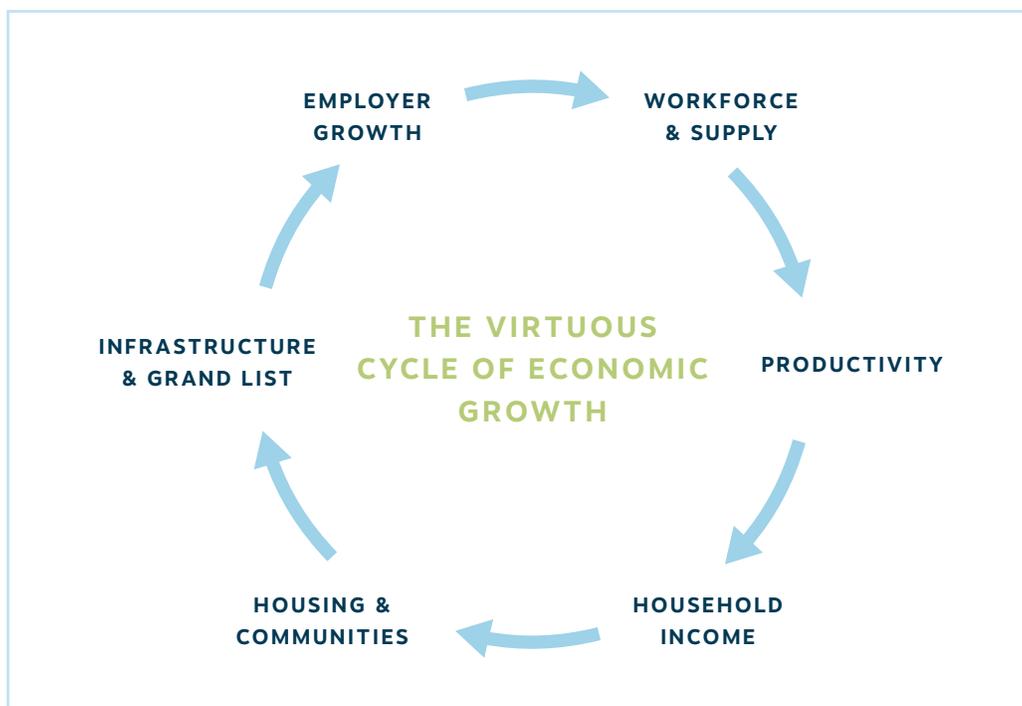
Vermont needs a broad, strong and growing property tax base to keep up with State budget growth and

reduce the tax burden negatively impacting real estate markets and residential property owners. Equalized property values grew almost 9% annually from 2005 through 2009 then lost value in 2010 through 2013. In 2014 and 2015 gains have been 0.8% and 1.4% respectively. Sustaining a consistent, average annual growth of 4% would complete the state's economic recovery and put annual growth in line with long-term national averages. Value can be increased in three ways: new construction, upgrading and expanding existing properties, and gains from rising local and regional markets.

TARGET: By 2040 the Grand List is growing by 4% per year.

VERMONT CAN AND MUST CHANGE THESE KEY INDICATORS TO RETURN TO A HEALTHY ECONOMY.

These six elements work together, each influencing the others. You can enter the virtuous cycle of economic growth anywhere. Start with workforce to influence productivity. Start with housing and that will improve the Grand List, and the quality of communities.



The good news is that many organizations in Vermont have already perceived a need for action and are working to improve conditions in some part of the cycle. We see enthusiasm across the state to make the economy work again and the Vermont Futures Project is committed to improving coordination among everyone who is working hard to build Vermont's economic future.

WHAT'S NEXT FOR THE VERMONT FUTURES PROJECT?



POLICY CHANGES

Phase III of the Vermont Futures Project will center on putting forth policy recommendations to meet each of the six targets, moving us closer to our goals for Vermont's economy. These roadmaps will be data-driven and released one at a time. The initial focus will be on increasing the workforce and talent pool, with research and recommendations to ensure Vermont has the workforce that employers need, and that Vermonters have the tools they need to access opportunity.

COLLABORATION AND CAPACITY BUILDING

Collaboration is at the heart of the Vermont Futures Project. We will continue building partnerships with individuals and organizations who care deeply about Vermont's economic future. The Vermont Futures Project will also continue developing events, projects, strategies and solutions to improve the state's long-

term economic performance. This includes engaging with state leaders who embrace Vermont's economic future, and partnering with a growing, diverse group of leaders and citizens united in a belief that opportunity and prosperity *are* essential Vermont values.

CONSTITUENCY BUILDING

Through education and outreach the Vermont Futures Project is working to generate broad consensus for a shared vision of economic success, and support for the economic policy and planning needed to help people, businesses, institutions and communities to thrive.

UPDATING THE ECONOMIC DASHBOARD

The annual data update will be posted at VTFuturesProject.org for 2017 to continue tracking Vermont's economic performance.

SPECIAL THANKS TO OUR EARLY PARTNERS WHO HOSTED THE VERMONT FUTURES PROJECT STATEWIDE FORUMS

ADDISON COUNTY:

Addison County Economic Development Corporation, Addison County Regional Planning Commission, Addison County Chamber of Commerce and Middlebury College.

BENNINGTON COUNTY:

Bennington County Industrial Corporation, Bennington County Regional Commission, Bennington Area Chamber of Commerce, Southern Vermont Economic Development Zone and Bennington College.

CHITTENDEN/GRAND ISLE COUNTIES:

Champlain College, Burlington Business Association, Greater Burlington Industrial Corporation, Vermont Business Roundtable and Vermont Businesses for Social Responsibility.

FRANKLIN COUNTY:

Franklin County Industrial Development Corporation, Swanton Enhancement Project, Franklin/Grand-Isle Workforce Investment Board and Franklin County Regional Chamber of Commerce.

LAMOILLE COUNTY:

Lamoille Economic Development Corporation, Lamoille Region Chamber of Commerce, Lamoille County Planning Commission and Johnson State College.

WINDHAM COUNTY:

Brattleboro Development Credit Corporation, Windham Regional Commission, Southeastern Vermont Economic Development Strategies, Brattleboro Area Chamber of Commerce, Southern Vermont Deerfield Valley Chamber of Commerce and Southern Vermont Economic Development Zone.

RUTLAND COUNTY:

Rutland Economic Development Corporation, Rutland Region Chamber of Commerce, Castleton University, Rutland Regional Planning Commission and Rutland Young Professionals.

WASHINGTON COUNTY/MAD RIVER VALLEY:

Mad River Planning District, Mad River Community Economic Development Committee and Mad River Valley Chamber of Commerce.

WASHINGTON COUNTY/MONTPELIER:

Central Vermont Economic Development Corporation, Central Vermont Regional Planning Commission and Central Vermont Chamber of Commerce.

WINDSOR COUNTY:

Springfield Regional Development Corporation, Springfield Region Chamber of Commerce and Okemo Valley Regional Chamber of Commerce.

THE VERMONT CHAMBER FOUNDATION IS CREATING A VOICE FOR VERMONT'S LONG-TERM ECONOMIC HEALTH THROUGH SUSTAINED LEADERSHIP AND A COMMITMENT TO RESEARCH AND EDUCATION THAT SUPPORTS ECONOMIC GROWTH.

LET'S START NOW. WITH YOUR HELP
WE CAN GROW VERMONT.