

Testimony on Entrepreneurship to the
House Economic Development Committee
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Local 64

Thank you Chairman Botzow, members of the committee. My name is Lars Hasselblad Torres and I serve as the executive director of Burlington's Generator makerspace. I also serve on the board of the Vermont Technology Alliance, the Vermont Media Alliance, the Vermont Journalism Trust, and the Community Council of Vermont PBS.

It is always a pleasure to share thinking with you on the prospects of Vermont's independent and creative workforce, including our entrepreneurs their startup ventures.

Generator is an 8,100sf sandbox with tools and technologies that foster creativity, provide workforce training and development, and support the launch of new ventures. We were founded in March of 2014 and recently reopened our doors in Burlington's South End Arts and Business District. It wasn't easy getting in there; we made it by the skin of our teeth thanks to an outpouring of nearly 100 donors who gave from \$5 to \$75,000.

Our core business turns on providing affordable access to prototyping tools, electronics and jewelry studios, a 2- and 3D design lab, and metal and wood shops. Since 2015 Generator has been fortunate to serve as a launch pad for numerous startups including Vermont Drone, Pinbox3000, M and E Design, Alix Barron Designs, Robots for Kids Too (R4K2), the Alternator, Alice and the Magician, River Slate Company, Blacksand Supply Co., Deda Jewelry, and AirShark.

Generator is working to foster intercollegiate collaboration through programs like Pitch It, Fab It which provides prototype support to early stage innovators. We support the movement of ideas from basic to applied research through partnerships like the BioFabLab at the University of Vermont. And we're advancing STEAM learning in schools through initiatives like our MakerTA program which provides small grants and technical assistance to support hands-on learning in classrooms across Burlington.

Generator's customers are artists, designers, hobbyists, educators, independent fabricators, students, retirees and the restlessly curious. Today Generator has 151 members and is sustained through a mix of earned income, grants and private philanthropy.

I would like to say that it is my impression - from data and anecdotal evidence - that the state of Vermont's vital entrepreneurial spirit is strong while, broadly speaking, creative and entrepreneurial opportunity continues to narrow. The Kauffman Foundation's state-by-state reports on entrepreneurial activity provide helpful data:

- The number of adults electing to become entrepreneurs on a monthly basis has shown steady decline since 2012 - about 1/10 of one percent per month.
- Vermont's startup density has declined significantly in the last thirty years, from a rate of about 137 startups per 1,000 firms in 1987 to 53.8 in 2016.
- The number of "growth" firms - those starting small but growing to employ more than 50 in their tenth year - has also declined.

A few considerations about these data:

- Firms employing fewer than 50 employees comprise more than 2/3 of all business entities in Vermont.
- These small firms employ nearly 1/3 of Vermonters engaged in private sector employment.
- Startups are job creators; in 2014 startups generated 1,605 new jobs, more than half the number of jobs created by all small businesses (those with fewer than 500 employees) in 2013.
- Small firms are innovators; 42% of the 1,279 firms granted fifteen or more patents in 2013 were small firms with 500 or fewer employees. Of these, patents by smaller firms were far more likely to be cited.

Vermont's independent workforce, for which state data is hard to come by, might be doing better. The latest annual report by MBO Partners shows that:

- Over 40 percent of American workers are or have spent time as an independent contractor. That number is expected to rise to 48 percent by 2021.
- It is estimated that as much as 14 percent of Vermont's workforce is self-employed (this is larger than either the manufacturing or leisure and hospitality industries).
- Nearly half of Full-Time Independent workers, 47%, report earning a higher income working on their own than they would in traditional employment.

The rise of coworking spaces across the state - twelve at last count - is a probable sign that the independent workforce is growing in Vermont. These workers represent an under-cultivated talent pool whose professional networks and aspirations too often lie beyond the state's borders.

Without incentives to take a risk on a creative project or startup venture, these talented Vermonters are not likely to produce the works of great art and entertainment or social or business value that they are capable of. In turn the State of Vermont is unlikely to reap the benefits of a positive feedback loop that attracts the talent and capital necessary for a vibrant entrepreneurial ecosystem and sustained growth in human well-being.

A few thoughts to leverage our human capital

- Champion efforts to put "creativity," "innovation," and "entrepreneurship" at the center of the State of Vermont messaging
- Stimulate frameworks that foster intercollegiate collaboration in the areas of invention, innovation and entrepreneurship
- Identify and support ways Vermont can serve as a test bed for emerging technologies in communications, transportation and energy
- Target incentives toward "gig economy" platforms like accelerators, coworking spaces, and makerspaces
- Expand Research and Development tax credits that spur innovation
- Provide competitive marketing support for creative enterprises that rivals hospitality, agriculture, and manufacturing support
- Develop "last in" finance mechanism for digital creative production

Thank you for your time. And please know that I would welcome the opportunity to give any of you a personal tour of Generator, a remarkable platform for open innovation in Burlington.

Helpful links:

- The Kauffman Index: State Profiles. Kauffman Foundation, 2016.
<http://www.kauffman.org/nicrosites/kauffman-indetate?State=Vermont&Report=StartupActivity>
- America's Independents: A Rising Economic Force. MBO Partners, 2016.
[http://www.mbopartners.com/uploads/files/state-of-independence-reports/2016 M BO Partners State of independence Report.pdf](http://www.mbopartners.com/uploads/files/state-of-independence-reports/2016_MBO_Partners_State_of_independence_Report.pdf)
- Most Funded Vermont Projects. Kickstarter, 2017.
https://www.kickstarter.com/discover/advanced?woe_id=234760484sort=most_fund_ed&seed=24753868tpage=1