



Testimony on Economic Development Committee Bill

Senate Economic Development Committee

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The Vermont Chamber's mission is focused on economic growth and we are encouraged by many of the components in this bill. I'm going to focus most of my comments on a few areas.

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- I am covering these two sections together.
- The Vermont Training Program is a highly successful program with an established ROI for the state, businesses and employees.
- This is a government program that is well-liked by businesses and one they use and by all standards is working well. It's not often that businesses can say this.

Why we need VTP funding

- Incentives: This is one of only two tangible incentives we have for businesses. We need to preserve these programs to help employers and their employees compete.
- Demographics: Considering that we have a steep decline in high school graduates, a low unemployment rate, and an aging workforce, keeping VTP funded is a key part of the solution to growing our economy and teaching our workforce new skills so that they continue to work.
- Incumbent training is important to the success of the company but even more important for the success of the employee. This is an investment in the worker and the business.
- Employers are spending significant resources to train employees every day. Their investment should be recognized. VTP allows the state to leverage this funding for a greater benefit for Vermont's workforce.

Program Work

- Our manufacturing members get certified or registered to three major types of standards: ISO (International Organization for Standardization), AS and International Training. These standards:
 - Improve the efficiency and effectiveness of company operations
 - Meet contractual or regulatory requirements
 - Meet customer preferences
 - Meet risk management compliance for supply chain integrity, credibility and assurance
- Simply put, certification is a supply chain requirement and cost of doing business for our manufacturing members competing in a very competitive, global market place and wanting to do business with sub primes, primes, Original Equipment Manufacturers (OEMs), systems integrators and large government contractors.
- Currently, the Vermont Training Program supports training for these standards.

Budget Discussion

- The VTP budget has remained essentially level funded for the past 10 years.
- In 2008, 2009 and 2010 when we had an injection of federal ARRA funds and Next Generation funds. As soon as those disappeared the funding went back to the \$1.3 million level.
- The \$200,000 appropriation certainly helps address this continuing need.

- Thank you for taking a look at restoring the R&D tax credit.
- I understand your focus is the numbers...how many companies use it, will more use it, what is the value of the tax credit, etc. Unfortunately, I cannot provide that data, the state is much better equipped to that. Instead, today I'm going to put forth a bit of history and strategy for this tax credit. Essentially, the "why" of this tax credit.
- It's a key component in Vermont's economic growth strategy which is focused on growing Vermont companies that utilize technology throughout many different industries.
- We see that breadth in the information in the lists of users... medical components, food manufacturing, technology, electronics.
- These industries drive the Vermont economy not just by creating new jobs but retaining existing ones and investing in other ways through capital expenditures, training and benefits.
- The R&D Tax Credit is a key component of that strategy. By all measures, it is a huge success. The Vermont Chamber appreciates your role in recognizing this as a key economic development component and commends this committee for your past support.

Economic Growth Strategy

- Vermont is a creative, innovative place. Vermonters invent things – lots of things. Businesses are innovating in technology and software development, building the foundation for Vermont's future in the 'new economy.'
- Vermont has developed a track record for encouraging knowledge based businesses to grow and locate here.
 - We adopted a state research and development tax credit in 2009.
 - We adopted a technology loan program at VEDA focused on this industry in 2010.
 - We have offered a STEM hiring initiative for recent college graduates in 2011.
 - We have implemented a new law discouraging patent troll activity 2013.
 - We have also repealed the cloud tax.
 - We have implemented incentives for this industry in our Vermont Employment Growth Incentive program.
- And the world is taking notice. Back in 2012 we were named #1 in the country for patent innovation by CNN Money¹ and they also named us #8 in the nation for entrepreneurship.²
- Vermont is also home to large, medium, and small tech companies that are developing and exporting hardware and software solutions to companies around the world – often in web-based applications.
 - Small start-ups tech companies and innovation hubs (Local 64, bioscience)
 - Medium sized tech companies that are growing fast (Dealer, MWG)
 - Very large global tech companies (IBM, Global Foundries)

¹ CNN Money: <http://money.cnn.com/gallery/smallbusiness/2012/10/24/states-patent-invention/index.html>

² CNN Money: <http://money.cnn.com/galleries/2012/smallbusiness/1206/gallery.best-places-entrepreneurs/8.html>

- The Vermont Chamber has championed these initiatives to ensure we have a cohesive economic growth strategy that continues to showcase Vermont as a great place to start and grow a business.

Restoring the Credit

- Before this was enacted, we anticipated that the use of this credit will grow over time for several reasons:
 - It was a new incentive
 - It had not yet been widely marketed and still hasn't (more on that later)
- I encourage you to think of growth in this area as a very positive sign for the economy
- Even with the anticipated growth of the credit there is a threshold built into the federal credit which you get for increasing your level of R&D.
- Therefore, we would like to see the credit restored to the 30% level.
- The growth of the tax credit is a measure of success and the benefits of encouraging R&D in this state are vast.
 - These are high paying jobs
 - R&D jobs spin off production jobs
 - They are movable jobs
 - They have been identified as the type of jobs we want more of – knowledge based jobs
- The growth indicates that it is doing what it is designed to do – creating investment in R&D

Sending the right signal

- It's important to continue to show that Vermont is committed to the economic growth strategy, encouraging companies to invest in R&D.
- It's important to show that we want to be competitive globally, that we want these businesses to move here, start here and grow here.
- Restoring the R&D tax credit, will do that.

F1 Page 46 VDTM

- Section not named correctly – should be titled - Economic Development Marketing
- In 2015, we introduced a new concept...to market Vermont as a place to live and work and build a business. We have never done this.
- We secured a \$200,000 appropriation to create a marketing plan for this effort and it was published last summer. We are thrilled that the Governor's budget contains funding to execute this plan.
- We need to tell people both in Vermont and others outside our borders about what makes Vermont great. We do a great job of this branding Vermont for tourism purposes and we benefit greatly from that.
- But we also need to market our opportunities to increase our economic output and our population.
- We need to create a strategy to turn some of those tourists into Vermonters.
- We are doing that in our tourism guides and we encourage you to put the state support behind the marketing plan you funded.

- Therefore, we support the additional \$750,000 in marketing for economic development.
- It will support the plan was developed by the Dept. of Economic Development and published in June of 2016.
 - The goal was to create a marketing plan to retain and attract residents and businesses to the state.
 - It was an inclusive process that included over 100 businesses and organizations, surveying over 600 people.
 - The tactics in the plan are to reach:
 - Business owners in-state and in the Northeast and Eastern Canada
 - Young professionals with an affinity for Vermont who currently live in the Northeast
 - In-state influencers such as elected officials, news media and industry associations
 - Key Messages: “What a difference a state makes,” Vermont’s key message boils down to this: Vermont is where you can be different—live differently, work differently, do business differently. Here, you can make a life, a living, a profit ... and a difference.
- The plan outlines the necessary expenditures including earned and paid media, digital and social media, videos and collateral as well as considerable outreach inside and outside the state.
- This investment will help attract and retain new businesses and new workers to Vermont. It’s an investment in economic growth and will result in more economic activity bringing in more revenue to the state through income and sales taxes and more.

J4 Page 63 CMO

- While I agree that the language you have inserted in section J4 changing the roles and responsibilities of the CMO is needed, I don’t believe this transition goes far enough.
- I suggest leaving the language in place, eliminating the funding in the bill and the new positions and think more broadly about this section of state government.
- This language is addressing a need. We need coordinated marketing within the state to ensure consistency in branding and that should reside with the CMO. But building up that office and adding more positions when state funding is scarce is not the answer.
- If you look at the agency of commerce, you have many talented people that have a variety of marketing backgrounds already there.
- I suggest you collapse VDTM and the CMO office into one new marketing entity. The head of that entity should carry the role of CMO and should manage the entire marketing department of the state, building relationships across agencies and departments. You have 2 people in the CMOs office and 8 people in VDTM. Included in there are media buyers, communications and PR specialists, brand experts and web developers. If you go further and think about the 8 people in the Vermont Life area, they too have exceptional talent. Each of these people are focused in narrow areas but could be re-cast to help a broader group of state government entities. This is what I hoped the re-alignment executive order would address – a wholesale re-thinking of marketing.
 - Build an ad agency for state government within ACCD, find an experienced, proven, talented marketing professional to lead this new department and name them CMO.

- Convert the current commissioner and deputy commissioner roles to new positions – perhaps with one still focused on tourism and the other on advertising.
- All of these people currently sit in the same open office space in the National Life Building. They are already collaborating with each other.
- The language you have in section J3 contemplates building this ad agency of sorts in (b)(3).
- This suggested revision still accomplishes the goals contemplated here without the additional staff or the increased funding.

J8 Page 67 Workforce needs assessment

- This workforce needs assessment is a good start as is the work of the McClure Foundation which put forward a great piece that translated DOL projections into a web site that people can access directly. That effort was based on projections data - jobs that there will be more of, based on national projections for sectors super-imposed on Vermont. This Pathways brochure and web site actually focuses on jobs with living wage and career growth opportunity.
- However, we need to be careful about basing any sort of future planning on past trends and we would rather see a mix of planning, based on what is needed in Vermont, and what Vermont wants.
- The Vermont Futures Project has suggested a true Demand Study that discovers:
 - What employers currently need
 - Their hiring projections based on current growth trends (rather than national trends super-imposed)
 - Their ‘wish list’ - talent that can find or afford but that would help their business grow
- This work has been done on a small scale in Windham County with an employer-driven workforce response. The Futures Project worked with Johnson State College to do a small sampling in Lamoille County. And Commissioner Goldstein has been doing some sampling among major employers as well.
- The Futures Project has examined other work as well. Chicago did a workforce demand study but the data was gleaned from online postings, and so while we want to emulate their employer responsive and demand-driven approach, it needs to be broader. The Futures Project is currently looking at the [Iowa](#) study and coming up with a detailed recommendation to gauge current and future demand. The goal is to gather data that helps stimulate priorities and planning based on an employer needs and demand data within the state so that it can focus state and federal resources to better effect.
- The Futures Project is currently scoping out this work and estimating costs but that is not yet ready.
- The Vermont Chamber supports the language as it currently exists but we wanted to make you aware of the broader concept of a Demand Study that could add to this catalog of data.

M1 Page 92 Minimum Wage

- We don’t support this section.
- Several years ago, we made an agreement with the Legislature to support this phased in approach to minimum wage.

- We accepted the wage increases with a four-year phase-in as way to “catch up” to a 21st century wage. The thinking at that time is that if the state implemented a mechanism for ongoing increases, we would put to rest the perennial arguments over increasing minimum wage.
- We agreed to that proposal and yet here we are not even three years later discussing an even greater increase.
- We don’t support it and I’m disappointed that the agreement is dissolving either this year or next.

N1 Page 93 Development Cabinet

- Over the years there have been many attempts to reorganize, restructure, recast and reauthorize this cabinet. It’s been called the Development Cabinet in statute and there was an Executive Order that was created for a similar purpose to called the Jobs Cabinet.
- They all have one goal – to get state government to work more effectively together for a whole lot of good reasons.
- I would suggest waiting on this.
- You have a new administration and many of these people have been in there jobs for just 2 months. Next year at this time, they could be much more helpful in redesigning this statute to be effective and they will have the experience to tell you why the current statute doesn’t work.