



VERMONT BUSINESS ENVIRONMENT

Saint Michael's College

BU496

12/14/2020

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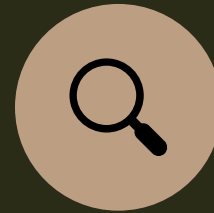
SCOPE OF WORK



INITIAL PROBLEMS



VISION OF TASK



APPROACH



RESEARCH



RECOMMENDATIONS



Ethan Allen Institute

FREE MARKET SOLUTIONS FOR VERMONT

ETHAN ALLEN INSTITUTE

- Issue for Client
 - Declining VT Population and Business
- Questions Asked
 - How to Solve it?
 - Where to Look for Answers
- Our Goals
 - States Doing it Right
 - Public Policy Recommendations
- Our Final Deliverables
 - Presentation and Memo



"In 1990, one out of every eight Vermonters was over 65. In 2019, it's one out of five." -

Art Woolf, *VTDigger*

INITIAL PROBLEM

- Vermont's reputation
 - Political Environment
 - "Death by 1000 Cuts"
- Factors from Articles
 - Limited Workforce/Customers
 - Property Taxes/Land Costs
 - Personal Taxes/Cost of Living

Proportion of Age Group in Northern New England and U.S.

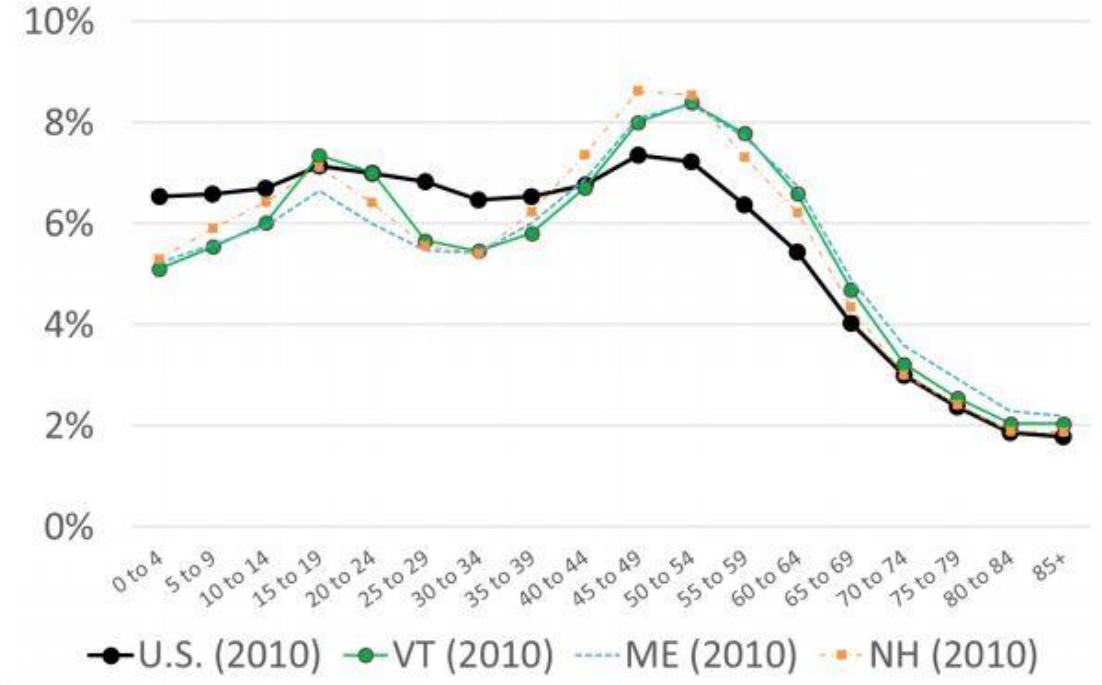


Figure 41. Age distribution of U.S. compared to northern New England states. Data from U.S. Census decennial census.

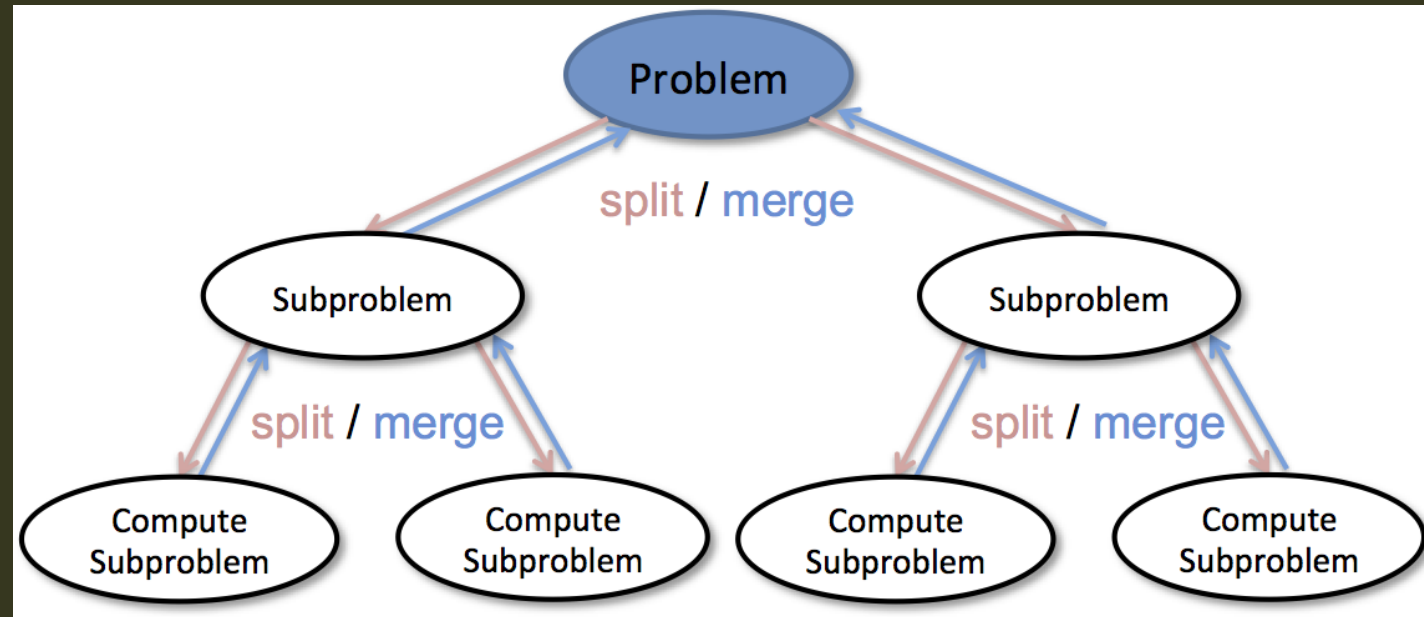
VISION OF TASK

- Focus Shift
 - No one simple answer
 - Interconnected problems
- Solution: Public Policy recommendations
 - Multiple parts
 - Each address a specific issue



APPROACH

- Started with the problem-solving trick- /working backwards.
- Moved onto the subproblem strategy- attacking the smaller problems first.
- Do our current activities address the problem the project was initially intended to solve, or have we strayed from that goal?



RESEARCH – BUSINESS CONTACTS

- Questionnaire w/ initial findings
- Problems Identified
 1. Tax Rates/Structure
 2. Limited Labor Supply*
 3. Costs of Living
 4. Energy Regulation/Costs
 5. Product Demand*
- * indicates issues not easily solved through policy recommendations

Questionnaire

1. Vermont has consistently ranked among the states with the worst overall environments for businesses. Provided your previous experience conducting business in Vermont, do you agree with this claim? Why?
2. What key factors resulted in your company electing to relocate business to other states? Would there have been any reason for your company to stay in Vermont?
3. Is there anyone else you know who experienced the same problems?
4. (Hypothetical): If your company closed its doors, what were the key factors that resulted in the business failing? (Labor supply, tax obligations, shrinking industry, expansion opportunity, poor business model)? What would you/your company have done differently to prevent business from closing if anything?
5. Does your organization require low skilled or high skilled workers?
6. Was there a large enough worker base in Vermont for your business to thrive?
7. When searching for workers or consumers in Vermont, what were some of your observations?
8. Vermont has consistently ranked among the states with the worst overall diversity in the US. Did the lack of diversity in Vermont negatively impact your business in any way?

10. What is your strongest belief on how Vermont can make businesses such as yours to stay in the state of VT?

Below is a table listing the factors our group has identified as being the most important for businesses choosing to move their operations out of Vermont. Please identify the factors that you believe played the biggest role in your company's relocations by using a scale of 1-10, with 1 being the least impactful and 10 being the most impactful. If any reasoning for your company's relocation is not listed on the list of our key factors, please fill out the "Other" section with your factor and how impactful it was on your operations.

<u>Factor</u>	<u>Score (1-10)</u>
Energy Costs/Regulations	
VT Tax Rates/Structure	
Labor Supply	
Product/Service Demand	
Housing Costs	
Other	

INDIVIDUAL RESEARCH – ARTICLES

- Articles on 24 companies that left Vermont
- Problems Identified
 1. Limited Workforce/Customers* (12)
 2. Taxes/Cost of Living (6)
 3. Capital/Investors* (5)
 4. Logistics/Optimization* (3)
 5. Geographical Location*
 6. Political Environment (1)
- * indicates issues not easily solved through policy recommendations

Company Name	Description	Reason for leaving or closing	Where did they move?	Property/Land	Workforce/Customers	Logistics/Optimization	Taxes/Cost of Living	Capital/Investors	Other
Mad River Canoe	Canoe Maker	Cost of expanding their property was too high	North Carolina	Yes	No	No	No	No	No
Nokian Tyres	Tire Manufacturer	Temptations of lower taxes, better incentives, a bigger workforce and a more advantageous geographical location than Vermont can offer	Nashville, Tennessee	Yes	Yes	No	Yes	Yes	No
Kennametal	Machine tool manufacturer that produces precision taps and dies	Re-balance manufacturing and logistics in response to new customer demand patterns	Closed	No	Yes	Yes	No	No	No
IrisVR	VR software geared towards engineers and architects	Moved to be closer to network of investors and mentors/better client opportunity/trouble attracting employees	NYC	Yes	Yes	No	No	Yes	No
Blu-Bin	Commercial 3D-printing shop	Lack of investors and capital/lack of customers	Silicon Valley	No	Yes	No	No	Yes	No
Elo	Ad-free social media site	Employee relocation (spouse's jobs)	Colorado	Yes	Yes	No	No	No	No
NEHP Group (subsidiary of Critical Process System Group)	manufacture of high purity molecular gas and process utility distribution and control systems	Unfriendly taxes, both personal and professional. Health care costs + costs of living in general	Boise, Idaho	No	No	No	Yes	No	No
Loveworks	Child Care Centers	Biggest challenge was finding and retaining staff	Closed	No	Yes	No	No	No	No
Green Mountain College	College	Declining enrollment brought about by the overall decline in college-age students across New England	Closed	No	Yes	No	No	No	No
Burton	Snowboard company	Labor, real estate, utility and health care benefits	Austria	Yes	No	No	Yes	No	No
Critical Process Systems Group (HQ DESIGNATION MOVED)	Innovative product manufacturing	Health insurance and driven up costs	Boise, Idaho	No	No	No	Yes	No	No
L'Amante Restaurant	Italian Restaurant	Town size population was small, difficult to find new customers	Closed	Yes	Yes	No	No	No	No
Lydal Thermal Systems	Thermal Energy	Wanted to consolidate operations	North Carolina	No	No	Yes	No	No	No
VT Tap & Die	Tap & Die	Lower cost of business/closer to customer base	Closed	No	Yes	No	Yes	No	No
WideWail/Hula	technology-enabled online engagement management	Reasons for coming back after leaving	Boston, Massachusetts	No	No	No	No	No	Yes
St. Johnsbury Trucking	truckers	Ran out of cash	Closed	No	No	No	No	Yes	No
Gilman Paper/Simpson Paper	paper mill	Old mill/non-competitive	Closed	Yes	No	No	No	No	No
EQ2 LLC	Software	More beneficial to parent company/jobs	North Carolina	No	Yes	No	No	No	No
Magic Hat	Beer	Bought out	New York	No	No	No	No	Yes	No
Vermont Yankee	Powerplant	Political enviornment	Closed	No	No	No	No	No	Yes
Energizer Battery	Battery manufacturer	High power costs/high property and corporate taxes	Wisconsin	Yes	No	No	Yes	No	No
Maple Leaf	Health insurance	Staffing Issues	Closed	No	Yes	No	No	No	No
Bombardier	Railcar Manufacturer	Lack of contracts	New York	No	Yes	No	No	No	No
Saputo	Dairy Company	Improving operational efficiency	Closed	No	No	Yes	No	No	No
Total:									
24				8	12	3	6	5	2

Notable Companies That Have Left



Austria



Tennessee



North Carolina



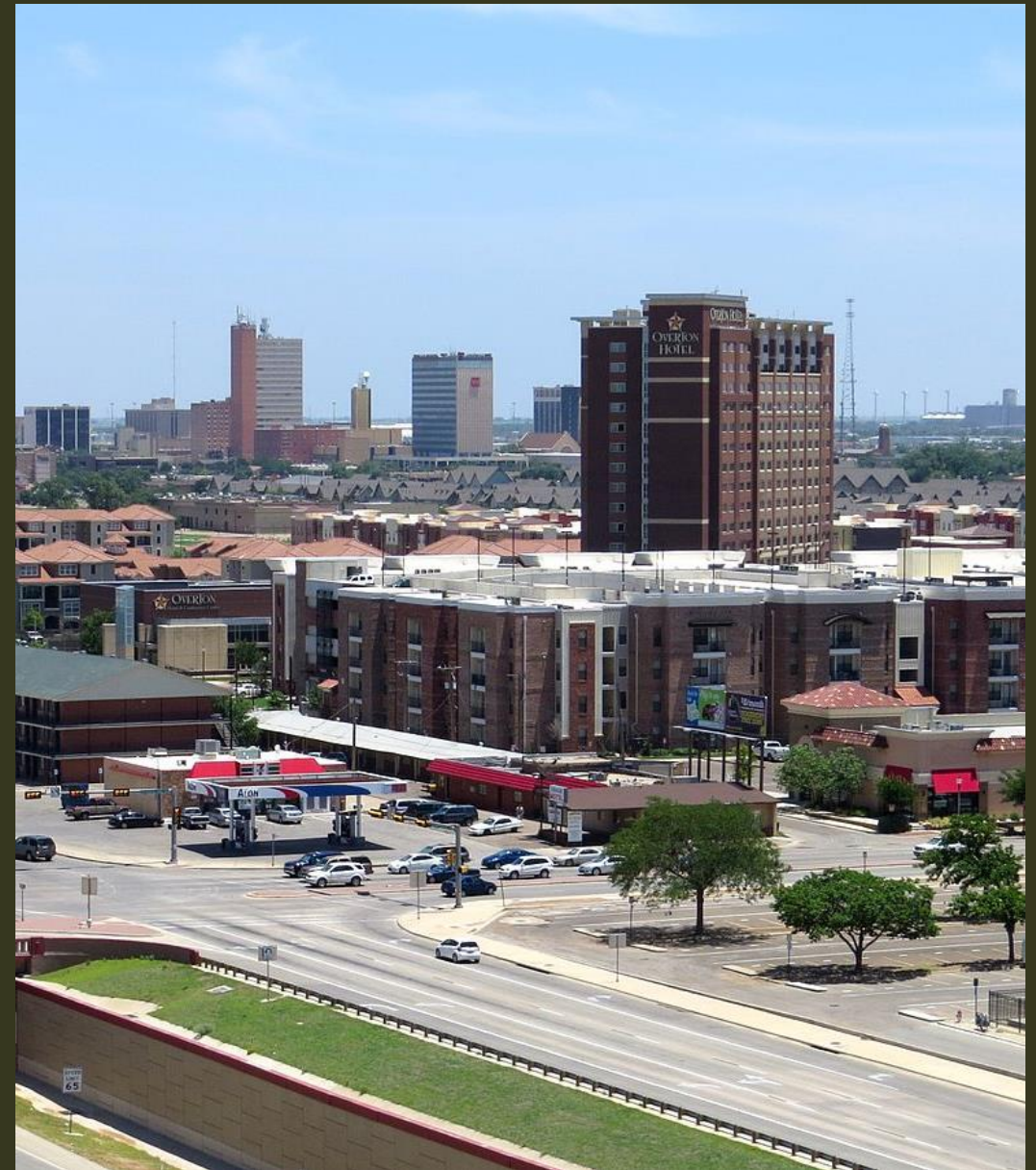
New York

LOOK AT STATES DOING IT RIGHT

- Vermont should look to individual states/counties for guidance
- Regarding
 - Boosting Labor Supply & Customer Base
 - Property Taxes
 - Logistics & Optimization
 - Corporate Taxes
 - Business-Friendly Environments

LABOR SUPPLY & CUSTOMER BASE

- Texas
- One of the largest worker/customer pools in the US
- Governor promotes state as "Business-Friendly State"
- Predictable regulatory environment



PROPERTY TAXES

- Utah
- Vermont has a very high property tax rate of 1.83%
- Utah has one of the lowest in the country at .63%
- Vermont can look to Utah for specific tax laws to make the state more appealing for companies



LOGISTICS & OPTIMIZATION

- Loudon County, Virginia
- "Internet Capital of the World"
- Northern Virginia is the largest data center market in the world
- Vermont is ranked 47th in the US in terms of broadband access
- Vermont is in the top five worst-connected states
- Companies are becoming more "Virtual First"



CORPORATE TAX RATES

- North Carolina
- Lowest corporate tax rate in the US at 3.5%
- Vermont corporate tax rate of 8.5%.



BUSINESS-FRIENDLY ENVIRONMENTS

- Florida
- Pro-business tax policies + various financial incentives
- Competitive cost of doing business
- Expedited permitting process
- Availability of funding
Florida Opportunity Fund



OUR RECOMMENDATIONS



ADJUST TAX RATES

- Individual, Property, Corporate
- Current VT Corporate Tax Rate: 8.5%
- Current VT Individual Income Tax Rates: 3.35 - 8.75%
- Offer tax varied exemptions



COST OF LIVING

- Tennessee
- One of the lowest costs of living in the US
- Highest wages compared to other states with cheaper costs of living
- Average Two Bedroom rent in Tennessee is \$757
- Average Two Bedroom rent in Vermont is \$1,050
- Much cheaper utilities, grocery, and transportation costs than Vermont
- Is a Right to Work State (Lowers Costs of Living)



OPPORTUNITIES FROM PANDEMIC

- Nationwide Demographic Shift
 - Leaving Urban Areas & Favoring Rural Areas
 - 300K People Flee NYC
- Advertise Like Texas
 - Texas Gov Advertises as "Business-Friendly State"
 - Vermont Should Do Something Similar
- Promote
 - Safe Place for Self & Family
 - Most Successful State in US (COVID Rate & Response)
 - Low Crime Rate
 - Community Cares (Hazard Pay)
 - Startup Programs (Vermont Startup Collective)



LIMITATIONS OF RESEARCH

- Recommendations drawn from rough indicators
- Limited amount of survey participants
- Making sure the statistics were relevant and being able to separate what is happening with COVID and what our actual goal is.
- Having to find all our research electronically (articles, primary sources)

SPECIAL THANKS

- Allan Rodgers
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