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Issue Brief

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Spending on Investments in Vermont's Economy, Workforce, and Well-Being: Background and Consideration for Legislators

Executive Summary

Vermont has invested heavily over many years towards enhancing Vermont's economy, workforce, and well-being through a variety of programs and initiatives. This issue brief will focus on a subset of those efforts—the State's investments in economic development, workforce development, and pandemic recovery. The brief provides background information on funding in recent years but has a focus on \$158.6 million appropriated to economic development, workforce development, and pandemic recovery in the State FY 2022 budget.

The brief also offers several areas of consideration for legislators:

- How does the Legislature ensure that the funds are and were spent effectively?
- Which of the programs established in Act 74 are one-time and which will require permanent, long-term State resources?
- How could the State address shortages identified by the Vermont Department of Labor in occupations that do not require higher education?

JFO's Series of Issue Briefs on Major Investment Areas

The recent surge in federal funding to Vermont stemming from the coronavirus pandemic has facilitated significant investments in State funding priorities. During the coming months, the Joint Fiscal Office will release a series of issue briefs on the priority areas identified in Section G.100 of the State fiscal year (FY) 2022 funding bill, Act 74 of 2021—investments in climate change, well-being and the economy, housing, broadband, and clean water. The General Assembly set a spending target of \$1.2 billion for the five areas over three years, although actual spending may differ. Each issue brief provides some background and context for the appropriations and lays out considerations for legislators when thinking about future appropriations in the five areas.

Background and Context

State government can use many different policies to spur economic development, including tax incentives, cash grants, workforce training, and development and maintenance of reliable infrastructure. In the aftermath of the COVID-19 recession, funds from the federal government have enabled Vermont to expand its support for the economy, its workforce, and its well-being.

In Act 74, the State's funding bill for FY 2022, a total of \$250 million of federal funds from the American Rescue Plan Act (ARPA) of 2021 is intended (but not necessarily appropriated) towards supporting the economy, workforce, and well-being over the next three fiscal years. Approximately \$158.6 million was appropriated in Act 74 in FY 2022 with the rest to be allocated in the next two fiscal years. Those appropriations generally fall into one of three groups: those made to the Agency of Commerce and Community Development (ACCD), those made to further Vermont's higher education and workforce development goals, and other spending aimed at addressing pandemic-related losses in communities. For FY 2021 and FY 2022, that other spending was used to address harms caused by the COVID-19 pandemic in addition to regular spending.

The spending in Act 74 on Vermont's economy, workforce, and communities is not the first time the State has allocated money to these causes. All of the three areas mentioned above (ACCD, higher education/workforce development, and other spending aimed at addressing community needs) receives base State appropriations for various on-going programs. Moreover, those areas also received Coronavirus Relief Funding in FY 2021, separate from ARPA funds.

Appropriations to the Agency of Commerce and Community Development

Of the \$158.6 million appropriated in Section G.300 of Act 74, ACCD was allocated \$51.6 million. ARPA provided \$48.9 million and the remaining \$2.7 million came from the State's General Fund.

The funds are used to create or enhance existing economic development programs. Some new programs that were created using this money include:

- \$11 million for the Brownfields Revitalization Fund, used to fund the cleanup areas of the State that are unsuitable for development due to environmental hazards;
- \$10.6 million for a new Capital Investment Grant Program that provides funds to businesses making large capital expansions; and
- \$1.5 million for Better Places Program, which provides matching grants for municipalities to improve public spaces.

The largest appropriation for FY 2022 is \$20 million in additional funding for Economic Recovery Grants. This program was created in the spring of 2020 and was originally funded by Federal Coronavirus Relief Funds from the Coronavirus Aid, Relief, and Economic Security (CARES) Act of March 2020. It is designed to assist businesses that have suffered revenue declines as a result of the pandemic.

A complete listing of Section G.300 appropriations can be found in Table A1 in the Appendix.

The new \$51.6 million for ACCD in FY2022 is on top of various appropriations in FY 2021 and FY 2022. In FY 2021, ACCD was allocated \$186 million in Federal Coronavirus Relief dollars for various purposes (Table 1).¹ Roughly \$120 million of this was allocated to Emergency Economic Recovery and Relief Grants funded by previous federal COVID relief bills, not ARPA.

In addition to the \$51.6 million appropriated to the Agency in Act 74 of FY 2022, another \$48.7 million was appropriated for normal operating expenditures across four major departments:

- \$3.5 million for general administration;
- \$12.2 million for the Department of Economic Development that administers programs with a focus on broader economic development goals;
- \$29.5 million for the Department of Housing and Community Development that administers funding and programs more directly tied to enhancing Vermont's communities; and
- \$3.5 million for the Department of Tourism and Marketing, responsible for promoting Vermont's travel, recreation, and historic attractions through services like Vermontvacation.com and the Stay & Play directory.

Each of those Departments receives funding from different sources. Of the \$48.7 million allocated in FY 2022, about \$22.6 million is federal funds, mostly for grant programs within the Department of Housing and Community Development; \$15.4 million is from the State's General Fund; and \$10.7 million is from other State funds and interfund transfers. Table A2 in the appendix lays out how the ACCD operating budget and its sources have changed over time.

Finally, ACCD also administers tax expenditures that reduce State revenues but are not appropriations, including:

- Tax Increment Financing (TIF), which was estimated to reduce Education Fund revenues by \$6.5 million in FY 2022;

Program/Allocation	FY2020	FY2021
Administration		
Emergency Economic Recovery Grants		\$19.1
Emergency Economic Relief Grants		\$100.6
Working Lands Enterprise Fund		\$2.5
Community Loan Fund		\$5.0
Vermont Arts Council		\$4.8
Restart Business Assistance		\$2.8
SE Vermont Community Action		\$0.0
Recreation Safety Assistance		\$2.5
General Administration	\$0.2	
Subtotal Administration	\$0.2	\$137.3
Housing and Community Development		
Landlord Assistance		\$0.2
VHFA Foreclosure Prevention		\$4.7
Rental Assistance to VSHA		\$24.8
Re-Housing Recovery Program		\$7.6
Mortgage Assistance, Foreclosure Prevention		\$5.0
General Administration	\$0.1	
Subtotal Housing and Community Development	\$0.1	\$42.3
Tourism and Marketing		
Vermont Purchase Incentives		\$2.5
Restart Vermont Marketing		\$4.0
General Administration	\$0.1	
Subtotal Tourism and Marketing	\$0.1	\$6.5
Economic Development		
General Administration	\$0.2	
Total Federal CRF Spending	\$0.6	\$186.0

¹ Note this amount does not include approximately \$577,000 in excess receipts and \$750,000 in additional spending authority from the Administration's base FY 2021 budget.

- The Vermont Economic Growth Incentive (VEGI), which reduces Personal Income Tax Revenues by between \$3 million to \$6 million annually;
- The Downtown and Village Center Tax Credit program, which reduces revenues by approximately \$3 million annually; and
- The Charitable Housing tax credit, typically less than \$1 million annually.

Higher Education Appropriations

Act 74 allocates money to the goal of educating and training Vermont's workforce, primarily through its higher education institutions. They include the University of Vermont (UVM); the Vermont State College System (VSC); and the Vermont Student Assistance Corporation (VSAC), whose primary goal is to provide financial assistance to Vermonters seeking to further their education.

Section G.300 of Act 74 provides additional appropriations to those institutions and other agencies to further workforce development. Of the \$158.6 million for FY 2022, \$80.8 million is appropriated to the following organizations:

- \$4.2 million to UVM for pandemic-related losses and for the creation of new programs and research;
- \$53.4 million for VSC, of which \$31 million is ARPA funds and \$22.4 million is State General Fund dollars. \$41 million of that amount covers pandemic-related deficits and restructuring, while \$12.4 million creates new scholarships and academic programs; and
- \$6.2 million for VSAC to create new grants and programs for aspiring students.

In addition to the allocations for the three public institutions, Act 74 allocates \$15 million to Vermont's independent colleges and \$2 million to the Department of Labor for apprenticeship programs. A full list of appropriations can be found in Table A1 of the Appendix.

The \$80.8 million is in addition to money allocated to the individual institutions for the normal baseline budgets for FY 2022. The State appropriated approximately \$101 million to UVM, VSC, and VSAC in FY 2022 for this purpose. That amount is up from \$91 million in FY 2019. See Table 2.

	FY2019	FY2020	FY2021	FY2022
University of Vermont	\$42.5	\$42.5	\$42.5	\$42.5
State General Fund	\$39.1	\$40.5	\$41.8	\$42.5
Other Funds	\$3.4	\$2.0	\$0.7	\$0.0
Vermont State Colleges	\$29.2	\$31.7	\$31.7	\$36.7
State General Fund	\$28.7	\$31.2	\$31.2	\$36.2
Other Funds	\$0.4	\$0.4	\$0.4	\$0.4
Vermont Student Assistance Corporation	\$19.4	\$20.0	\$20.0	\$22.3
State General Fund	\$19.4	\$20.0	\$20.0	\$20.0
Interdepartmental Transfers	\$0.0	\$0.0	\$0.0	\$2.3
Total UVM, VSC, and VSAC	\$91.1	\$94.1	\$94.1	\$101.4

Other Appropriations for COVID-19 Recovery

The \$158.6 million in Act 74 contains \$26.3 million in appropriations to agencies and organizations in communities across Vermont for a variety of purposes using State or ARPA funds. For a significant portion of those appropriations, the goal is to offset losses or harm caused by the COVID-19 pandemic. Examples of ARPA spending include:

- \$5 million for the Department of Disabilities, Aging, and Independent Living for adult day service providers to cover operating losses incurred during the pandemic;
- \$9 million to the Vermont Judiciary to reduce backlogs due to the pandemic and to expedite the expungement caseload;
- \$3.3 million to the State's Attorneys and Sheriffs to reduce pandemic-related backlogs; and
- \$2.7 million to the Defender Generals to reduce pandemic-related backlogs.

Within the same section, a smaller amount of General Fund dollars is used for cultural purposes. For example, \$600,000 is allocated to county fairs and field days and \$1.2 million to technical assistance for the Vermont Council for the Arts.

Consideration for Legislators

Beyond the immediate impact of the appropriations on the respective agencies and organizations, the Joint Fiscal Office (JFO) has identified areas that the Legislature might consider over the coming months and years. The considerations are general in nature and apply across the three spending areas within G.300 highlighted here.

Evaluation of Spending

Act 74 creates several new programs both within and outside of State government. Many of these programs require the administering agency or organization to report on their effectiveness. Legislators, however, should consider whether that type of evaluation will yield objective critiques of the program.

Whether the remaining ARPA funds should be spent to keep existing programs going or create new programs may depend on how effective existing programs are in promoting the well-being of people in the state. Evaluation of FY 2022 ARPA spending will be critical in channeling the remaining ARPA funds to the best uses for the state long-term, looking at business grants, higher education and training programs, and community support with a critical eye. In addition, new opportunities for strategic investments may become apparent as the economy opens up across the state.

For instance, Act 74 creates several programs to be administered and promoted by ACCD. At the same time, ACCD must report on the implementation and performance of the programs, often including quantitative and qualitative returns on investment. While such information is useful to legislators, the Legislature may want to consider a more independent review process. Programs subject to the internal review procedure include:

- \$10.6 million allocated to create the Capital Investment Grant Program;
- \$300,000 allocated for the hiring of an international trade representative;
- \$1.5 million appropriated for the new Better Places Program that provides grants to municipalities to enhance public spaces;
- \$800,000 for the new Technology-Based Economic Development Program; and
- \$20 million for an additional round of Economic Recovery Grants, which provide funding to businesses harmed by the pandemic.

Formal evaluation of the programs described above can complement more qualitative case studies. Vermont could look to other states that have established program evaluation offices as a model, including:

- Maine's Legislative Office of Program Evaluation and Government Accountability;
- Washington's Joint Legislative Audit and Review Committee;
- Minnesota's Office of the Legislative Auditor, Program Evaluation Division; and
- Wisconsin's Legislative Audit Bureau.

A 2017 Pew Charitable Trusts report² on tax incentives and program evaluation rated Vermont as trailing other states' best practices. While Vermont has moved in a positive direction to improve evaluations of programs since then (in the 2019 and 2021 Tax Expenditures Reviews Reports, for example), no formal legislative office is dedicated to that purpose.

Other states have required evaluations as a stipulation for ARPA spending. Colorado, for instance, requires agencies to submit, along with their spending plans, details of anticipated evaluation efforts and evidence for the specific proposal's effectiveness. New Mexico required at least 20 percent of its ARPA funding used for schools be spent on evidence-based programs, as determined by the New Mexico Public Education Department.³ Vermont could look towards these states as a model if some of the programs cited above receive future funding.

One-time versus On-going Funding

With a few exceptions, most spending in Act 74 is one-time in nature. However, JFO identified several spending areas that would appear to require on-going funding, even though there is no specific allocation for them beyond FY2022.

Within the ACCD sections of the bill, several appropriations are likely to be multiple-year programs:

- The Capital Investment Grant Program was allocated \$10.6 million this year and does not appear to be a one-year program in design. For instance, the program calls for the development of a new model to estimate award sizes specifically for this Program. Moreover, there is no sunset on the Program.
- \$1.5 million is allocated to a Better Places Program for matching grants in 2021, 2022, 2023, and 2024. However, the Program is set to sunset in 2024.

² "How States Are Improving Tax Incentives for Jobs and Growth: A National Assessment of Evaluation Practices." The Pew Charitable Trusts. May 2017.

³ "States Bolster Program Evaluation Work with American Rescue Plan Funds." National Conference of State Legislators. October 22, 2021.

- \$800,000 went to a Technology-Based Economic Development Program and \$1 million to the UVM Office of Engagement. Neither of those appropriations has a sunset.

Within the Higher Education sections, \$10 million is appropriated to scholarship programs for one academic year with no further funding beyond FY 2022. Many of the scholarship programs seek to promote long-term State goals, such as \$5 million for last-dollar tuition for critical needs occupations, and \$3 million for adult learners who have college credits but have not completed their degrees. It is unclear how VSC, already appropriated \$41 million for operational losses and restructuring in this bill, will be able to maintain those scholarship programs without on-going State funding. The scholarship programs are separate from the on-going concern about the sustainability of the VSC system and whether the loss/restructuring spending in the bill will need to be supplemented in the future.

Addressing Critical Labor Shortages in Fields Not Requiring Higher Education

Most of the workforce development appropriations in Sec. G.300 of Act 74 focus on providing funding to the State's public higher education system. The money is directed towards scholarship programs in critical needs occupations, but also in providing Vermonters with skills attainable from an institution of higher education.

Certainly, creating capacity in critical needs occupations is a worthwhile goal for the State. The Act includes funds for nursing programs as part of the critical occupation scholarships. Vermont Department of Labor (VDOL) projections show 410 openings per year for registered nurses and 379 openings per year for nursing assistants. Childcare training is also an eligible occupation in the Act, and VDOL identifies a need for 421 childcare workers over the next decade. Of course, those numbers may change in the aftermath of the COVID-19 pandemic.

Beyond those targeted critical needs occupations are many that do not require four years of higher education. The Department of Labor has identified many fields where there are jobs that will be unfilled over the next 10 years. For the top five occupations, between 1,680 and 1,140 unfilled jobs are projected, and few would be traditionally considered as requiring higher education through a four-year university degree: cashiers, personal care aides, waiters and waitresses, combined food preparation and serving, and retail salespersons (see Table 3 and the Appendix).

Profession	Total Annual Openings
Cashiers	1676
Personal Care Aids	1267
Waiters and Waitresses	1210
Combined Food Prep and Serving Workers	1181
Retail Salespersons	1139
Janitors and Cleaners (except maids and housecleaners)	748
Bookkeeping, Accounting, and Auditing Clerks	626
Secretaries and Administrative Assistants	596
Farmers, Ranchers, and Other Agricultural Managers	544
Maids and Housekeepers	530
Customer Service Representatives	525
Landscapers and Groundskeepers	495
Restaurant Cooks	493
Carpenters	481
First-Line Supervisors of Retail Workers	465

Source: Vermont Department of Labor

Beyond the list from the Department of Labor, Vermont is experiencing workforce shortages across the education spectrum. Other studies have examined workforce shortages in specific sectors and have highlighted vacancies in careers that require graduate-level education. For instance, the January 2020 Rural Task for Services report estimated that Vermont's healthcare system is currently short at least 70 primary care providers.⁴ Furthermore, well-recognized shortages exist in professions requiring two-year degrees or training in the trades.

Legislators could consider ways to address labor force needs in addition to the occupations targeted in Act 74. A key explanation for the shortages identified by VDOL appears to be demographic in nature. For instance, retail cashiers, salespersons and food service industry workers have traditionally been occupations held by younger people. As the population of Vermont continues to age, it is to be expected that shortages would arise and possibly grow in these areas. Policies that encourage younger workers to settle in Vermont could be beneficial in the short and long term. A sampling of such policies includes maintaining and improving the State's primary, secondary, and post-secondary school system; working to address housing shortages; and improving Vermont's infrastructure, both physical and internet.

No individual piece of legislation can plausibly address all these issues, but legislators might consider those areas as overarching goals for the long term.

⁴ "Rural Health Services Task Force: Act 26 of 2019, Report and Recommendations." January 10, 2020.

Appendix

Table A1: Act 73 of 2021, G.100 Appropriations for Investments in Vermont's Economy, Workforce, and Communities
(in millions of dollars)

ARPA FUNDS			
Section (G.300)	Amount	Agency	Purpose
Agency of Commerce and Community Development			
a11	\$11.0	ACCD	Brownfields Revitalization Fund
a12	\$10.6	ACCD	Capital Investment Grant program
a13	\$20.0	ACCD	Economic Recovery Grants
a16	\$0.8	ACCD	Technology-based economic development program
a17	\$1.5	ACCD	Better Places program matching grants
a18	\$0.2	ACCD	Contractor for a BIPOC business roundtable
a19	\$2.0	ACCD	Tourism industry promotion, \$600k for grant program
a20	\$0.7	ACCD	New Remote Worker Program
a22	\$2.2	ACCD	Working Community Challenge grants
Higher Education and Workforce Development			
a7	\$1.0	UVM	Matching grants COVID-19 research
a8	\$10.0	VSC	\$2M for those affected by stopping courses during COVID, \$3M for adults to continue degrees, \$5M for last dollar tuition for critical needs occupations
a9	\$21.0	VSC	Pandemic-related deficits
a10	\$2.2	UVM	Losses related to room and board fees
a15	\$1.0	UVM	Office of Engagement funding for technology-based economic development program
a21	\$0.4	VSAC and Agency of Education	Career and technical education programs
a6	\$2.0	Labor	Apprenticeship programs
Other Investments in Vermonters			
a1	\$5.0	DAIL	Adult day service providers for operating costs related to COVID-19
a2	\$0.6	Mental Health	Pilot mobile crisis intervention program in Rutland
a3	\$9.0	Judiciary	Pandemic response: reducing backlogs, expungement caseload
a4	\$3.3	State's Attorney's and Sheriffs	Pandemic response and reopening
a5	\$2.7	Defender General	Pandemic response and reopening
a14	\$2.0	DCF	Economic Micro Business Recovery Assistance
Subtotal ARPA	\$109.1		
GENERAL FUND			
Section (G.300)	Amount	Agency	Purpose
Agency of Commerce and Community Development			
b1	\$0.3	ACCD	Contract with a foreign trade rep
b2	\$0.9	ACCD	Early stage seed capital for Entrepreneurs Seed Capital Fund
b8	\$1.5	ACCD	Downtown and Related Capital Improvement Fund
Higher Education and Workforce Development			
b3	\$20.0	VSC	Transformation of VSC, \$8m spent in FY2022
b4	\$2.0	VSC	Welcome home scholarships, for Vtters transferring from out of state colleges.
b5	\$0.4	VSC	Dental Therapy program
b6	\$5.8	VSAC	\$1m for advancement grants, \$0.6m for aspiration grants, \$3.8m for 802 opportunity grants, \$0.35m for credentialing information
b7	\$15.0	Administration	For spreading amongst independent colleges
Other Investments in Vermonters			
b9	\$2.0	AAFM	Working Lands Program
b10	\$0.5	AAFM	State fairs and field days
b11	\$1.2	VT Council for Arts	Technical assistance for arts organizations
Subtotal General Fund	\$49.5		

Table A2: Operating Budget Appropriations for ACCD
(in millions of dollars)

	FY2019	FY2020	FY2021	FY2022
Agency of Commerce and Community Development				
Administration	\$3.5	\$3.7	\$4.3	\$3.5
State General Fund	\$3.5	\$3.7	\$3.2	\$3.2
Federal Funds	\$0.0	\$0.0	\$1.1	\$0.4
Other State Funds and Interfund Transfers	\$0.0	\$0.0	\$0.0	\$0.0
Department of Economic Development	\$10.0	\$10.3	\$10.4	\$12.2
State General Fund	\$4.6	\$4.9	\$4.9	\$4.9
Federal Funds	\$2.8	\$3.7	\$3.5	\$3.9
Other State Funds and Interfund Transfers	\$2.6	\$1.7	\$2.0	\$3.4
Department of Housing and Community Development	\$15.6	\$16.3	\$19.2	\$29.5
State General Fund	\$2.8	\$2.8	\$2.8	\$3.9
Federal Funds	\$7.7	\$7.9	\$8.2	\$18.3
Other State Funds and Interfund Transfers	\$5.1	\$5.6	\$8.3	\$7.3
Department of Tourism and Marketing	\$3.0	\$3.1	\$3.5	\$3.5
State General Fund	\$3.0	\$3.1	\$3.5	\$3.5
Federal Funds	\$0.0	\$0.0	\$0.0	\$0.0
of which: Other State Funds and Interfund Transfers	\$0.0	\$0.0	\$0.0	\$0.0
ACCD Total	\$32.1	\$33.4	\$37.5	\$48.7

2019-2021 Vermont Short-Term Projections of Job Openings		
http://www.vtlmi.info/projst.pdf		
		Total Annual Openings
1	Cashiers	1,676
2	Personal Care Aides	1,267
3	Waiters and Waitresses	1,210
4	Combined Food Preparation and Serving Workers, Including Fast Food	1,181
5	Retail Salespersons	1,139
6	Janitors and Cleaners, Except Maids and Housekeeping Cleaners	748
7	Bookkeeping, Accounting, and Auditing Clerks	626
8	Secretaries and Administrative Assistants, Except Legal, Medical, and Executive	596
9	Farmers, Ranchers, and Other Agricultural Managers	544
10	Maids and Housekeeping Cleaners	530
11	Customer Service Representatives	525
12	Landscaping and Groundskeeping Workers	495
13	Cooks, Restaurant	493
14	Carpenters	481
15	First-Line Supervisors of Retail Sales Workers	465
16	Teacher Assistants	457
17	Laborers and Freight, Stock, and Material Movers, Hand	430
18	Heavy and Tractor-Trailer Truck Drivers	427
19	Childcare Workers	421
20	Registered Nurses	410
21	Bartenders	409
22	Stock Clerks and Order Fillers	384
23	Nursing Assistants	379
24	Counter Attendants, Cafeteria, Food Concession, and Coffee Shop	361
25	Receptionists and Information Clerks	361
26	Coaches and Scouts	340
27	General and Operations Managers	329
28	Accountants and Auditors	322
29	Substitute Teachers	317
30	Maintenance and Repair Workers, General	310
31	Social and Human Service Assistants	296
32	Construction Laborers	294
33	Light Truck or Delivery Services Drivers	280
34	Recreation Workers	263
35	Elementary School Teachers, Except Special Education	261
36	First-Line Supervisors of Food Preparation and Serving Workers	258
37	Food Preparation Workers	227
38	Automotive Service Technicians and Mechanics	226
39	First-Line Supervisors of Office and Administrative Support Workers	222
40	Fitness Trainers and Aerobics Instructors	220
41	Medical Secretaries	218
42	Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific Products	217
43	Compliance Officers	214
44	Market Research Analysts and Marketing Specialists	207
45	Amusement and Recreation Attendants	207
46	Hairdressers, Hairstylists, and Cosmetologists	202
47	Farmworkers, Farm, Ranch, and Aquacultural Animals	194
48	Farmworkers and Laborers, Crop, Nursery, and Greenhouse	192
49	Dishwashers	191
50	Food Service Managers	187
Last updated March, 2020		