April 13, 2022

House Committee on Commerce and Economic Development
Vermont State House
115 State Street
Montpelier, VT 05633-5301

Dear Representatives,

On behalf of Vermont Businesses for Social Responsibility (VBSR), thank you for the opportunity to offer testimony on the various provisions found in H.159—the latest economic development omnibus.

As you know, VBSR is a statewide, nonprofit business association with over 650 members across the state with shared mission to leverage the power of business for positive social and environmental impact. Our members are primarily small employers with roughly 35% employing 10 Full time employees (FTEs) or less, 65% employing 50 FTEs or less, and only about 6% (or 40 companies) employing 300 or more FTEs. Despite the desire for our little state to move into an "endemic phase", the COVID-19 pandemic and the growing affordability crisis continue to hammer many of our small businesses and have forced others to make swift, innovate changes to the way they do business—a challenge for some and opportunity for others.

VBSR sincerely appreciates the work of the House and Senate to craft meaningful legislation focused on both Vermont's short term and long-term economic development needs. Overall, we feel that H. 159 strikes a fine balance between these two approaches, but we do have some lingering comments and concerns that we hope to share with this Committee.

Capital Investment Grant Program

VBSR supports the Committee's proposed investment in the celebrated Capital Investment Grant Program. The goal of this program, to foster transformative investments in our local and regional economies, is a laudable one. Whether it's acquiring property, purchasing new equipment, or renovating properties, the potential uses for this program are many and we can think of several VBSR our members who would jump at this opportunity. We would however, like to revisit the reporting requirements outlined H. 159 to ensure the equitable distribution of funds among regions and among business types, sizes, and sectors as well as business owners of color, women-owned businesses, first Americans and other marginalized groups. Marginalized communities have persistent issues accessing capitol due to implicit and explicit biases within our banking system, and it is critical that we create accountability mechanisms to ensure resources are distributed to them accordingly.

VEDA Short-Term Forgivable Loans

VBSR appreciates this Committee's recognition that for many Vermont businesses, the COVID-19 pandemic is still a very real and formidable challenge operationally and financially. Given the lackluster performance of the bridge grant program last year, we are especially happy to see language that promotes flexibility when it comes to demonstrated economic harm as well as allowable uses of VEDA loans.

When it comes to marketing this program, the more time community organizations and agencies are given the better. In previous years, leading up to the launch of the suite of Economic Recovery Grant programs, we VBSR, MSA-VT, ACCD, Department of Taxes, and countless other community organizations connected with business owners to make sure that they were aware of these new programs and provide details on programmatic requirements and guidelines. This was done through a variety of channels including email communications, social media, webinars, and one-on-one phone calls.

It is important to remember however, that aside from groups like Vermont Professionals of Color Network and Partnership for Fairness and Diversity, there is still no centralized entity to provide outreach, technical assistance, and marketing to the BIPOC business community. VBSR recognizes that we as a business association also have much more work to do to attract and welcome BIPOC businesses into our own organization and have committed time and resources to make the ongoing journey toward true allyship. In the meantime, however, it is critical that we recognize these disparities and allow the commensurate time needed to do meaningful, comprehensive outreach to the Vermont business community through marketing channels both traditional and nontraditional.

We also anticipate significant demand for technical assistance from small businesses who either lack the means to retain a bookkeeper, accountant, or other support staff to manage their finances or who have not made the transition into the formal economy. Meeting their needs is not only a logistical challenge but a matter of equity as well. As we've previously reported, the Center for Women and Enterprise (CWEVT), a non-profit economic empowerment organization, worked closely with state partners to help with technical assistance for the Minority and Women and Minority Owned Business Grant Program. CWEVT reports that they have served over 150 business owners to date. With three counselors on-call for in-depth assistance in addition to the three CWEVT full-time staff members, they reported that most inquiries they received were either application-based issues (EIN vs. VT Tax Account, signing in, etc.) or problems with income statement preparation. While CWEVT staff spent an average of 30 min with each business owner and hosted 9 live counseling sessions, approximately 30% of clients who contacted CWEVT needed more than an hour's worth of assistance and most individuals felt they needed individual counseling time.

Like the Center, the Vermont Partnership for Fairness and Diversity, who managed the portion of the WMOB Grant Program reserved for BIPOC business owners, also reported an overwhelming demand for technical assistance. According to the Partnership's recent BIPOC business survey, technical assistance, namely as it relates to accounting and bookkeeping, was identified as one of the top four greatest needs among the BIPOC business community.

When taken together the demand for technical assistance and marketing from the Vermont business community makes a compelling case for the Committee to ensure businesses are not only aware of this program but that they also have the technical assistance needed to prepare their applications. Failure to do so would give Vermont's more well-established, well-resourced businesses the lion's share of proceeds and leave our smaller business, many of whom women and/or BIPOC-owned, to compete for a much smaller pool of funding. Again, we urge this committee to allocate both time and funding for agencies to provide technical assistance and effectively market this program.

Minimum Wage

VBSR has long supported developing what we call "livable jobs" – a vision for economic growth centered on the creation of jobs with good wages and benefits. In recent years, much of our advocacy in this space centered around achieving a $15 minimum wage by 2024 and as expected, we support the provision in H. 159 that would do just that.

Raising the Minimum Wage is good for business and good for our economy. Vermont's affordability challenges coupled with stagnant wages have kept our economy stifled and workforce development on the decline. As these challenges continue to grow buying power in turn continues to decline—hurting not just working Vermonters but local economies. In fact, the average Vermont household's buying power in 2018 was no better than it was before the recession over 10 years ago and that has only gotten worse with the rising cost of housing, common goods, and services.

Paying higher wages will boost income for working Vermonters and allow households to better participate in their local economies, including shopping for goods and services at local businesses. Increasing the minimum wage would also increase income tax revenue for the state while helping to lift tens of thousands of working Vermonters out of poverty. Vermont's current minimum wage of $12.55 an hour amounts to roughly $26,100 a year as a salary, far too low for a single person, let alone a whole family, to survive on. In fact, our current minimum wage is not enough for a Vermonter to afford a one-bedroom apartment in any county of in state – and falls far short of the state's 2020 livable wage of $13.39.

More recent, post pandemic data paints an even starker picture especially when looking at housing—according to the annual 'Out of Reach' report from the National Low Income Housing Coalition, the average Vermonter needs to earn nearly $24 per hour to afford a safe, decent place to live in Vermont, however the average renter makes less than $14 per hour—marking the sixth-largest affordability gap in the nation. In response to these growing costs, many employers have had to drastically raise their wages as a means of attracting and retaining employees. In other words, $15 is Vermont's de facto minimum wage, as few if any workers are applying to positions that pay less.

Paid Family and Medical Leave Taskforce

Workers across every industry and earning group benefit from Paid Family and Medical Leave (PFML), and PFML programs provide a major advantage for their employers as well. When done right, these benefits create predictable employment conditions and serve as a critical tool for recruiting and retaining prime-age, high-quality workers -- building the local labor force. In states that have passed Universal Paid Family Medical Leave, studies show turnover rates decreased and average per worker wage bill decreased. In VBSR's own 2018 Membership Survey 36.59% of members reported that they offered paid family leave, of those employers only 13% reported challenges with employee retention. With the arrival of COVID-19, that figure jumped significantly. According to VBSR's 2021 membership survey, 50% of our members now offer paid leave.

While VBSR is supportive of this study, we also encourage this Committee not to lose sight of the immediate needs of Vermonters and to enact the COVID-19 Paid Leave Grant Program.

COVID-19 Paid Leave Grant Program

VBSR and our friends at Mainstreet Alliance have been working diligently to advance a program whereby employers can be reimbursed for paying an employee's lost wages in the event of absenteeism due to COVID-19– essentially a state based FFCRA. This initiative enjoys broad support from our networks, with 100 plus small businesses and over 120 workers endorsing the program so far.

The Families First Coronavirus Relief Act offered critical financial lifelines to families in need by requiring businesses to provide emergency paid sick leave and expanded family and medical leave for those impacted by COVID-19. In return, businesses received FFCRA payroll tax credits to cover the costs of providing this critical benefit. Later, after the mandate expired, the American Rescue Plan Act expanded these benefits to cover a wider range of COVID-19 related absences and extended FFCRA tax credits to businesses who voluntarily provided leave to their employees. More specifically, FFCRA offered:

- Up to two weeks (or 80 hours) of sick leave with full wage replacement for those who needed to quarantine due to a COVID-19 exposure and/or experienced COVID-19 symptoms and were seeking a medical diagnosis.
- Up to two weeks of paid sick leave at two-thirds wage replacement for those who could not work in order to care for someone in quarantine or to care for a child in the event their school or child care facility closed or was unavailable for COVID-19 related reasons OR if the employee was experiencing a substantially similar condition.
- Up to an additional 10 weeks of paid expanded family and medical leave at two-thirds wage replacement for employees, who had been employed for at least 30 days, to care for a child whose school or child care provider was closed or unavailable for COVID-19 related reasons.

Unfortunately, the FFCRA payroll tax credits expired September 30th of last year–leaving businesses to either pay for these benefits out of pocket or eliminate them all together. For context, according to VBSR's 2021 membership survey, 50% of our members offer paid leave. As a business community committed to people-first workplaces and livable jobs, it is safe to say that the remaining half does not offer this benefit not due to a lack of will but a lack of resources.

As you know, with the recent surge of COVID cases, workers are being forced to stay home to keep their communities and co-workers safe as they care for themselves and/or their loved ones. This loss of work is especially difficult for parents, whose children have been exposed or are presenting with symptoms of COVID-19 and for our smallest businesses who are desperate to retain their workforce and manage operational costs but are running out of time and resources. It's also worth noting that these interruptions disproportionately impact women in the workforce–as they are often shouldered with the majority of caregiving responsibilities—exacerbating long standing gender inequities.

In connecting with our members, we've seen that some businesses have been able to pay their workers for their lost days, other employers are asking their workers to dip into their earned time off, and there are many other small businesses and nonprofits that simply can't afford these costs at all. Similarly, while some families have the savings to remain resilient in these moments, our low-income and hourly wage earners are struggling to meet their financial obligations—adversely impacting their housing security, food security, household buying power, and mental health.

When it comes to funding this program, as of August of 2021, the data indicated that Vermont employers received roughly $45 million in FCCRA payroll tax credits. The final rule from the US Treasury detailing the allowable uses of ARPA dollars clarifies that said funds can be used for the purposes of creating, expanding, or funding paid sick and paid family and medical leave programs. While we are not looking to fund a program on par with the federal credits, however robust investments can and must be made to keep Vermonters healthy and whole as we continue to navigate this pandemic.

As written, the bill would appropriate $16.5 million dollars of ARPA funding for the program which would provide 67% wage replacement for lost work associated with COVID-19. Wage replacement would be at a rate of up to $27.50/hour with a cap of $2200/employee during the program period from January 1st, 2022 - December 31st, 2022. While we are committed to advancing a robust, equitably program, we are also willing to work with this committee to ensure we're spending ARPA funds in the most effective, efficient way possible.

Whether you're a business leader looking to overcome staffing issues or an employee struggling to balance family, health, and work, the COVID-19 Paid Leave Grant Program would add an invaluable tool to the toolbox for Vermonters who don't have the financial resiliency to put health and safety first.

As always, thank for all you do, and we look forward to working with this Committee to advance H. 159 and its many initiatives. If you have any questions or would like additional materials please don't hesitate to reach out.

Sincerely,

Jordan Giaconia
Public Policy Manager
Vermont Businesses for Social Responsibility