

**Introduction**

Our team consulted for the Ethan Allen Institute of Vermont. We were tasked with researching Vermont's declining business environment, ultimately aiming to provide recommendations on how to tackle the greatest challenges facing Vermont businesses. The team consisted of five students from Saint Michael's College, all of whom are seniors:

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**Matthew Walsh** - Business Major/Accounting & Environmental Studies Minor

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**Vision of Task**

The vision of the task remained clear throughout the course of the semester. Our objective all along has been to isolate the most pressing issues that contribute to Vermont's poor environment for conducting business. A key piece of information that was introduced to the group at the onset of this course was the declining population of young people who are choosing to live in Vermont. As the group began the research process, and subsequently began piecing together the pieces to this puzzle, it became obvious that the issues were interconnected. The initial plan to offer an individual solution to each issue was quickly forgotten, and the vision shifted towards focusing on an overarching solution that could be broken into smaller pieces, each with a specific focus.

### **Approach**

We began with the-problem-solving-trick, also known as working backwards. This started by creating questions for Rob Roper before we needed to do more research and end up finding most of our information was irrelevant. It allowed us to accomplish our official goal. We continued on to use the subproblem strategy. In other words, working on small problems first, then attacking the major problems later. We were able to accomplish this with not losing focus on what we were doing. If we did not start to use this method, we probably would have had too many sources that we did not need and our questions for Mr. Roper would not have been as specific towards what the Ethan Allen Institute was looking for. Within approximately 4 months our group was able to find 24 total companies that have either left or closed down in Vermont. We also generous enough to hear back from 6 primary sources that were very respectful and honest.

### **Primary Research**

We were in contact with eight business contacts regarding why businesses fail or move out of Vermont. We put together a thorough questionnaire that we sent to the business contacts who filled them out based on their businesses. From our five main problem areas that we found; we had the business contacts rank them in their order of importance. From there, we then rank ordered the five problem areas based on our findings and combined the results. From most important to least important, our final findings as to why businesses fail in Vermont is due to; tax rates/structure, labor supply, costs of living, energy regulation/costs, and product demand.

## Secondary Research

After speaking with Rob Roper for the first time, it was clear that Vermont was lacking certain important characteristics that made the state an attractive place to conduct business. Although the group was told about Vermont's shortcomings, more evidence was needed to solidify the argument and formulate potential recommendations. Local news sources, such as the Burlington Free Press, VT Digger, ABC 22, and WCAXWPTZ served as data sources that needed to be tapped into. A list of companies that either left Vermont to conduct business elsewhere, or closed entirely, was created from reading several articles found through these sources, or other internet searches.

The excel file containing the group's research also includes the list of 24 companies that no longer conduct business in Vermont. The list ranges from small businesses, such as *Mad River Canoe*, to large organizations, such as *Energizer Battery* and *Nokian Tyres*. Aside from identifying companies that left Vermont, the goal of the group's secondary research was to find articles that included the reasons why these companies decided to leave. The reasons ranged from wanting to consolidate operations, to more demanding issues, such as no longer wanting to put up with Vermont's hostile business environment. An article about *Energizer* cited the reason for leaving as the cost of business was too high, along with the company wanting smaller corporate tax rates (Allen, 2019). *Nokian Tyres* blamed their departure on unfriendly taxes, smaller workforce, and expensive costs of living (D'Ambrosio, 2020).

With 24 examples of companies that chose to no longer operate in Vermont, the group was able to determine the most cited factors for these losses. Appendix 1 shows a pie chart representing the breakdown of the reasons mentioned in the articles. According to the articles, the largest issue Vermont businesses face is the workforce/customers. This is a problem that

*Nokian Tyres* ran into during their time in Vermont. The company decided to relocate to Tennessee to be available to a larger workforce, and to avoid overpaying in taxes (D'Ambrosio, 2018). *Loveworks* also experienced this problem, saying that the biggest challenge they encountered was finding and retaining staff (French, 2020). Property/Land was the second most mentioned factor, and taxes/cost of living was third.

### **Recommendations**

Looking at states that Vermont can look to for guidance will help solve the difficult and complex issues the state is struggling to deal with. For cost of living, Tennessee is a state Vermont can look to for guidance. Tennessee has one of the lowest costs of living in the US while having one of the highest wages compared to other states with cheaper costs of living. Meanwhile Vermont has one of the highest costs of living with an index of 114.5 compared to Tennessee's 88.7. Vermont's average rent for a two-bedroom apartment is very high at \$1,050 compared to Tennessee's \$757 (RentData.org, 2020). Tennessee also has much cheaper utilities, grocery, and transportation costs than Vermont. Factors that lead to low cost of living- high crime, air pollution, water pollution, and percentage of blue-collar jobs. Tennessee has a lot of blue-collar jobs, which contributes to their low cost of living. Job creation in Vermont would contribute to low cost of living (Sigiba, 2016). Additional factors include Tennessee being a right to work state which lowers cost of living (Greer, 2017).

To figure out how to look at job creation, Vermont should look to Texas. Texas has one of the largest and most diverse worker/customer pools in the US. The state government markets Texas to entrepreneurs and investors as "Business Friendly" while Vermont doesn't. Texas also has a predictable regulatory environment where companies know their investments are safe from unforeseen changes in regulation. Vermont should do something similar and advertise itself to

attract workers and entrepreneurs. For example, Vermont can advertise itself as a safe place to live and start a business. More than 300,000 people have left New York City because of fears from high COVID infection rates and crime surges (Edmonds, 2020). If Vermont were to attract even a fraction of that number, it would greatly increase the state's pool of workers and entrepreneurs.

How Vermont can solve its high property taxes to make the state more attractive for entrepreneurs and workers to operate in is by looking at Utah. Vermont has a very high property tax rate of 1.83% while Utah has one of the lowest in the country at .63%. Vermont can look to Utah to see what specific tax laws they have, to make the state more appealing for companies. Another state Vermont can look to for guidance on guidance, especially on personal property is Minnesota. Minnesota doesn't tax personal property while Vermont does. Mark Haven of the Minnesota Tax Payers Association says it's an important competitive advantage and "Any time you tax capital or inventory, it's a disincentive to have. It's good to avoid taxation of those things when you can"(Newmarker, 2011). Meanwhile Vermont has one of the highest property tax rates in the country. States in the US have been moving away from the taxation of personal property, but many of these sorts of taxes in VT remain in place.

Another issue for Vermont companies is dealing with logistics and optimization issues. Vermont can look to Loudoun County, Virginia which is known as the "Internet Capital of the World"(Shaw, 2020). Northern Virginia is the current largest data center market in the world. Meanwhile Vermont is ranked 47th in the US in terms of broadband access, Vermont is in the top five worst-connected states (BroadbandNow.org, 2020). Improving Vermont's internet access will make the state more prepared for the "virtual first" world businesses have recently been moving towards because of the pandemic (Vasel, 2020). To help dissuade Vermont

businesses from leaving the state is to work more and better with companies at the local level. Vermont has trouble convincing companies not to leave and continue operations in the state, while New York is more effective at working with companies at the local level and convincing them to stay. Perhaps Vermont can look at what New York lawmakers are specifically doing to work with companies to incentivize them not to move business elsewhere.

For lowering corporate tax Vermont should look at North Carolina. North Carolina has one of the lowest corporate tax rates in the US at 3.5%, meanwhile Vermont has a much higher corporate tax rate at 8.5%. Lower various tax laws will make the state more attractive for businesses for investors and increases access to capital. The state of Florida has plenty of access to capital/investors/trade because of its tax laws and attractive business environment. Vermont can look at Florida to see what they can imitate and implement to achieve the same success.

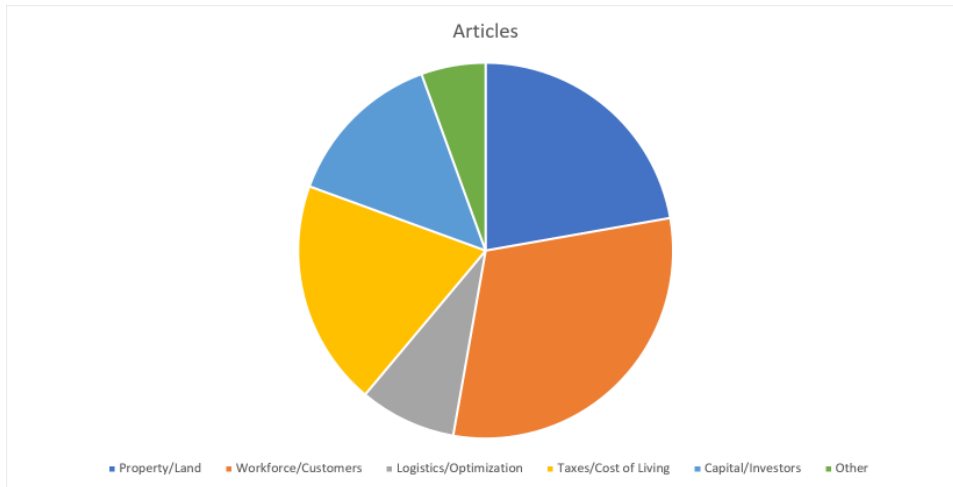
### **Additional Recommendations**

One additional recommendation could be to market Vermont to business and young people as one of the safest places to be in the US during the COVID-19 pandemic. According to actor Luiz Guzman, “Vermont is one of safest places in world right now” (Kalish, 2020). As a fellow Vermonter I personally agree. I have heard stories from relatives and family members about how the pandemic has ruined business and they can’t return back to normal because the number of infected cases isn’t going down nor being effectively controlled. So far, Vermont has handled the pandemic really well considering it has been the “most successful state” in terms of COVID Rate and Response (Petenko, 2020). Vermont has also offered a hazard pay grant program that has helped frontline workers who worked during the first few months of the pandemic (Bakuli, 2020). People in places like Florida have been “frustrated” with their governor over job losses and his government’s policies towards the pandemic (Calvan, 2020).

Additionally, Florida hasn't offered frontline workers a hazard pay grant like Vermont has done, hurting frontline workers who are struggling financial because of the pandemic and recurring lockdowns. Florida has recently been one of the places a great number of Vermonters and Vermont businesses have relocated to and it wouldn't be hard to believe that some of those businesses and individuals have been questioning their decision during the pandemic. Vermont should incorporate startup programs such as Vermont Startup Collective to foster entrepreneurship and growth in the state (VermontStartupCollective.com, 2020). We believe if these recommendations are implemented immediately, Vermont can reverse decades of business stagnation and population decline within the next couple years.

## Appendix

### Appendix 1: Secondary Research from Articles



Appendix 2: Final Copy of Questionnaire for Survey Participants

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?
9. What would be your biggest piece of advice for companies choosing to startup in Vermont?
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.

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

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