



## Regional Development Corporations of Vermont

### FY24 Funding Proposal

#### Proposal:

- Increase base funding for all 12 RDCs to \$122,175 for FY24

#### Financial Summary:

Current Annual Base RDC Funding:	\$1,266,104.00	[((\$108,508 X 10) + \$111,364 + \$69,660)]
Proposed FY24 Total:	\$1,466, 104.00	[\$122,175 X 12]
FY24 \$ Increase:	\$200,000.00	
Percent Funding Increase:	15.8%	

#### Reasons for Request:

The Governor’s FY24 budget includes an increase in the base funding for the RDCs of Vermont. We requested an increase to our grant for three reasons: 1.) Increased costs; 2.) Rising wages; and 3.) Expanded services.

##### 1.) Increased costs

The RDCs are facing increased costs and reduced spending power.

Our current average budget of \$108,508 per RDC was approved by the Legislature in FY14. Since that time, the costs of doing business have increased: The Consumer Price Index (CPI) since 2014 has increased by 25%, and inflation more generally has increased by 31%.<sup>1</sup> As such, with each year, our funding from the State has less and less purchasing power: Our original \$108,508 baseline from FY14 is now worth \$90,279 in 2022.<sup>2</sup>

In practice, our costs have even increased beyond those parameters. Our best available data indicates that expenses on utilities have gone up by 59.38%, followed by office supplies (59%), rent (56%), IT (54.53%), and healthcare premiums (53%). These trends have occurred in spite of measures taken to actively reduce costs, including offloading IT work to our employees instead of paid contractors. One of our RDCs is actually unable to provide healthcare coverage for employees because “our budget does not allow for [it].”

---

<sup>1</sup> US Bureau of Labor Statistics.

<sup>2</sup> US Bureau of Labor Statistics.

## 2.) Rising wages

We also have concerns about our ability to compensate our staffs at a wage that is competitive in the current market.

After a slight slowing in wage growth during the recovery from the Great Recession, year-on-year growth has almost always been above 2%, and given the current workforce shortages, that rate has climbed to over 6% in several years. Cumulatively, since the RDCs' budget was set in 2014, wages in Vermont have risen by 28%,<sup>3</sup> and they have increased by some 30% nationwide.<sup>4</sup> Meanwhile, in order to keep pace, the incomes of the RDC directors have only increased by approximately 18.63% in the same time period – Our directors have slowed their own wage growth in order to compensate for their respective RDCs' higher costs.

Our current budget is making it increasingly difficult for us to attract and retain high-quality employees. Although many of us are happily settled in Vermont, we worry about the future of the RDCs, which will have to attract a new generation of Vermonters, a task that will only become more difficult to achieve with our current level of funding as time goes on.

## 3.) Expanded services

Most significantly, our long-term success is challenged by the numerous additional services the RDCs now provide to their communities.

While we are compensated for some of these services, like participation in CEDS planning, we are dedicating substantial time to others that are unpaid, like the recently launched VEDA short-term forgivable loan program. We want to emphasize our enthusiasm and make explicit our desire to assist in statewide initiatives, but we are fundamentally underfunded and understaffed to handle additional clients.

Since the COVID-19 pandemic, the RDCs have taken on thousands of new small businesses and guided them through a range of mandates, requirements, and funding resources. These small employers have wonderful businesses, but their lack of size and experience frequently makes working with them very time-intensive.

We believe that an example may help. One such small business is a bed and breakfast that is located in an eighteenth-century farmhouse. The owners are an elderly couple, one of whom recently had a stroke, and they are seeking assistance with mending their property through the VEDA loan program. They are often hesitant to ask for help, and

---

<sup>3</sup> US Bureau of Labor Statistics.

<sup>4</sup> Economic Policy Institute, <https://www.epi.org/nominal-wage-tracker/>.

frequent follow-ups are needed to get them to a completed application. Our corresponding RDC has made several visits to assist them with their application, but due to time constraints, we are simply unable to make additional visits if we are to also engage with other businesses in the area seeking assistance.

This pattern is one that plays out with numerous other businesses, particularly ones that are difficult to reach because of their rural location or are operated by owners who have limited knowledge of English and/or newer technology. As one RDC director put it, “We work overtime, but that is not sustainable and results in our support being more reactionary than proactive.” Says another, there is “so much more I could [do] if I had more time or more people.” “Lack of staff capacity” is the most cited issue the RDCs face.

**Impact:**

Additional state funding would be used by the RDCs to train current employees to implement additional economic development services. Some RDCs may be able to add staff.

While each RDC is structured differently and thus would use a budget increase in slightly differing manners, our overall hopes are as follows:

1. Increase hours for current PT staff and/or hire additional staff to focus on:
  - a. Workforce development
  - b. Regional grant administration
  - c. Underserved/marginalized populations
  - d. New business/family/individual recruitment to RDC locales
  - e. Entrepreneurship/innovation
  - f. Small business growth
  - g. Continuation of the ReVTA/CNPP technical assistance program
  - h. RDC administration/marketing
2. Conduct more in-person business visits
3. Provide additional follow-up sessions to businesses in the application process
4. Partner with social service missions like refugee resettlement programs
5. Coordinate employer visits to schools and student visits to employers
6. Economic/business trend analyses for use by our partners
7. Demographic/fiscal data collection, particularly on disadvantaged communities
8. Additional assistance to municipalities

We believe that economic development is a “boots on the ground” process. Our request is based upon our desire to more effectively perform this function.

**Request:**

The RDCs respectfully request that the General Assembly adopt the Governor’s proposed increase to the ACCD/DED FY24 base budget to accommodate an increase in the RDC base funding level.

Adjusted strictly for the CPI or inflation, the RDCs' original \$108,508 funding baseline should range from \$135,230 to \$142,145 in 2022.<sup>5</sup> The Governor's request for a baseline of \$122,175 falls below this range but is greatly appreciated.

Since 2014, year-on-year growth in the CPI has averaged 2.78%, but individual years have ranged between 0.10% and, more recently, 8.60%.<sup>6</sup> As we head into what is anticipated to be an inflationary period, we expect the average CPI to continue to climb for several years.

**Conclusion:**

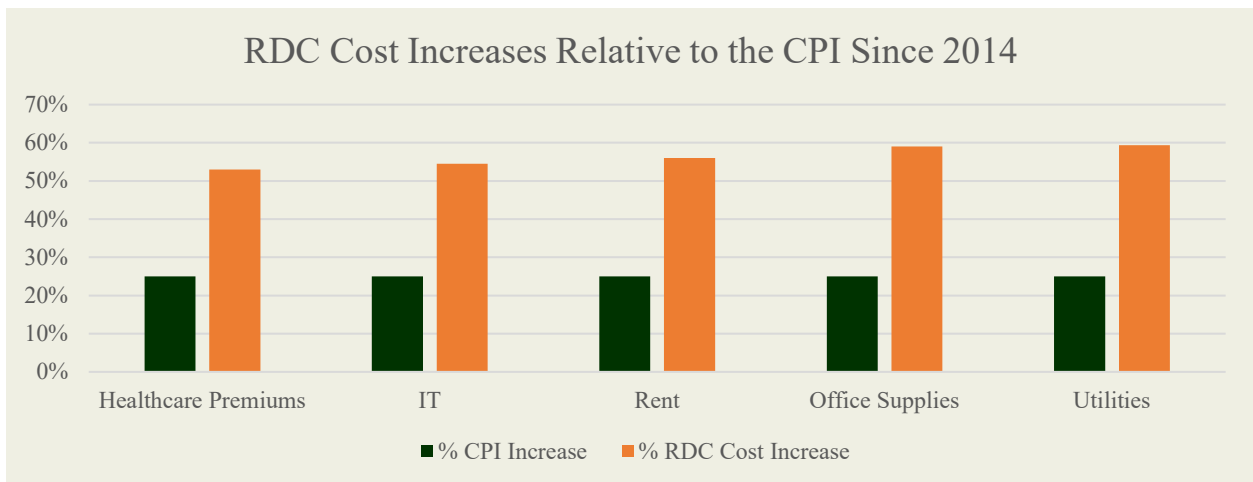
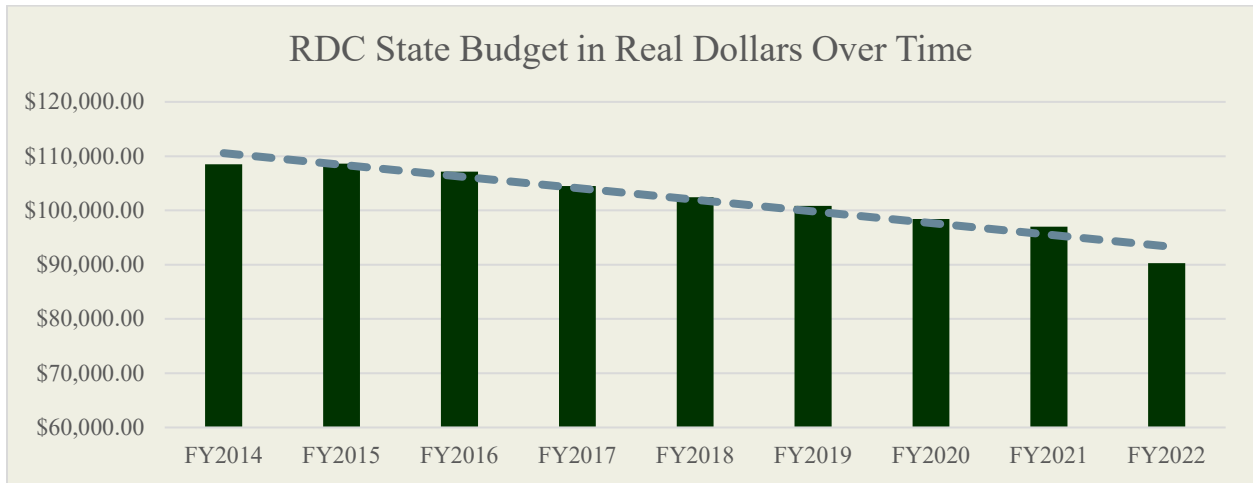
We would like to emphasize that we are only asking for what we believe we need in FY24 and beyond. We appreciate the realities of governance, which demand that all of us make the most of what we have without placing wanton strain on the purse or the people, and we strongly believe that our request achieves this goal while priming Vermont's employers and employees for a robust, successful future.

---

<sup>5</sup> US Bureau of Labor Statistics.

<sup>6</sup> The Federal Reserve Bank of Minneapolis, <https://www.minneapolisfed.org/about-us/monetary-policy/inflation-calculator/consumer-price-index-1913->.

**Charts:**



## **Background:**

The Regional Development Corporations (RDCs) of Vermont are private, non-profit organizations that are key players in driving economic growth in our state. The RDCs help to improve the economy, our standard of living, and the quality of life for Vermonters by providing our state's key employers:

- Access to investment capital via in-house revolving loan funds, commercial lending assistance, and investor financing.
- Grant assistance, research, writing, application, and administration.
- Referral to and assistance with regional, state, and federal programs and services.
- Comprehensive guidance, technical assistance, and advice to facilitate business/commercial growth.
- Real estate activities including relocation services, industrial park development, affordable workspaces, acquisition and renovation of underutilized commercial real estate, and brownfield remediation and redevelopment.
- Labor force development and workforce training and education for key employers and their employees.

The State's partnership with the RDCs has ensured the successful implementation of economic development programs and services at the regional level, including:

- Distribution of \$2.3 million to 164 Vermont small businesses for energy efficiency projects in partnership with Efficiency Vermont, for which the RDCs received Efficiency Vermont's Partner of the Year award.
- In 2020, the RDCs united to rapidly create and deploy the award-winning ReVTA program in partnership with ACCD, funding Covid-19 responsive projects for businesses using a robust technical assistance provider network developed by the RDCs.
- In 2021-2022, this program was brought back as a part of the SBA's Community Navigator Pilot Program, a collaborative effort of 9 organizations with the RDC contribution being a new round of technical assistance projects funded from a combination of sources.
- In total, these two projects funded \$1.8 M in grants, offering business restoration and growth in the form of digitization, marketing, financial, and other supportive projects created by a network of over 600 Vermont technical assistance providers.
- Assistance with an average of several hundred thousand dollars' worth of loans and grants for employers and regional partners every year per RDC.
- 2018 and 2019 regional workforce development summits in partnership with the Vermont Department of Labor.
- Review of almost 700 Economic Recovery grants in partnership with ACCD.
- Deployment of HUD CDBG funds for the Sole Proprietor recovery program in partnership with ACCD.
- Annual generation of Regional Priority Project Lists in partnership with the RPCs.

For the majority of the RDCs, the State grant helps them leverage 40-79% of their budgets from other funding sources, or a total of \$7.8 million, that goes back into the state economy each year through Vermont-sourced products and services.

The RDCs have also partnered closely with our RPC colleagues to create EDA-approved Comprehensive Economic Development Strategies. When the West Central CEDS is approved later this year and the Southern Economic Development District (EDD) and the West Central EDD are approved, the entire State of Vermont will be covered by EDA-approved CEDS and EDDs. This will ensure additional federal funding to Vermont and is primarily due to the work of the RDCs in partnership with the RPCs.