

EXECUTIVE SUMMARY

VERMONT 2020

Comprehensive Economic Development Strategy



VERMONT

DEPARTMENT OF ECONOMIC DEVELOPMENT

For the full document and to learn more please visit ThinkVermont.com

EXECUTIVE SUMMARY*

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* Note that this document is a short summary of goals and strategies and does not include the many initiatives and projects outlined in the full CEDS. For the full document and to learn more about how you can be involved visit ThinkVermont.com.

I. MISSION

“In Vermont we lead differently, live differently and profit differently” – Joe Fusco, Vice-President Casella Waste Systems; Chair, Vermont CEDS Committee

On June 3, 2013, more than 175 Vermonters met at the Paramount Theater in Rutland to discuss the future direction of the Vermont economy. They came from every corner of the state and represented Vermont’s wide variety of businesses, non-profits, educational institutions and government agencies. They came out of a shared belief in Vermont’s traditions, values and innovative spirit, and out of a commitment to help our state become more resilient in the face of global uncertainties.

That gathering kicked off Vermont’s first statewide Comprehensive Economic Development Strategy. While many regional CEDS have been completed (including several around Vermont) Vermont is one of the first states to create a statewide plan.

Directed by Governor Peter Shumlin and funded by the U.S. Economic Development Authority, this CEDS was produced by the Agency of Commerce and Community Development in tandem with the CEDS Committee. A five-year plan, it identifies goals and sets a strategy for economic and social prosperity.

Its mission:

Improve the economic well-being and quality of life of Vermonters while maintaining our natural resources and community values.

To achieve this, Vermont 2020 CEDS lays out specific goals and measurable targets in four key action areas and sets a unique, overarching target for the next five years. It proposes to not only grow jobs and wages and increase our Gross Domestic Product, but also to improve the Genuine Progress Indicator (GPI)—a measure that takes into account economic, social and natural assets and impacts—by 5% over baseline over the next five years.

This measure of success reflects Vermont’s holistic approach to economic development and the desire of all parties involved to not only grow our economy as gauged by traditional measures, but to also take into account the value of our working landscape and natural resources, our culture of innovation and the Vermont brand.

This document is a short summary of the key strategies.

The full CEDS, available at ThinkVermont.com, examines the history of Vermont's economy, its strengths and weaknesses, and dives deep into the economic rationale that led to these goals. It also details more than 50 projects and initiatives that can help each action area and sector grow. It anticipates future events and suggests tactics that will help us build resiliency in the wake of natural or manmade disasters and economic impacts.

The Vermont 2020 CEDS was submitted in June 2014 and approved by EDA in August, 2014. Approval by the EDA also gives all Vermont projects priority for federal funding if they meet the stated goals.

Lastly, this is an iterative document that will be updated every year for the next five years. To be successful, it will require broad participation across sectors and agencies, regions and municipalities. It will build on, support and complement regional plans.

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II. VERMONT TODAY

One of the primary missions of any statewide strategy is to build resiliency and sustainability. In the wake of the Great Recession of 2009 and then Tropical Storm Irene in 2011, Vermont was faced with rebuilding its economy and infrastructure. As of June 2014, the state had made significant progress, including the following milestones:

- Vermont's economy has grown by 12.9% since 2008, the fastest of any New England state and faster than the nation as a whole.
- Vermont has one of the lowest unemployment rates in the nation.
- Vermont has become a national leader in solar energy, adding 1000 jobs in 2013, more solar jobs per capita than any other state.
- The EB-5 program has generated more than \$300 million in foreign direct investment with a portion of those funds going to projects that will help our ski resorts flourish as four-season destinations while adapting to climate change.
- Broadband coverage has been extended to 99% of the state.
- Vermont has been named the #1 state in the nation by Opportunity Nation's "The Opportunity Index" for the third year in a row.
- Vermont ranks second among the top three states in the nation for health and education.

At the regional level, Burlington has been named by Techie.com as one of the top 10 emerging technology centers in the nation and second in the nation for innovation by Business Insider. The Northeast Kingdom, whose economy has historically lagged behind the rest of the state, is creating new jobs and community assets at twice the rate of other counties thanks to an infusion of capital from Vermont's innovative EB-5 foreign direct investment program. Southeastern Vermont, faced with the decommissioning of the Vermont Yankee nuclear plant and associated job loss, has produced its own CEDS and is branding itself as a region.

Despite the progress, our state still faces numerous challenges:

- The national trend of growing income and wealth inequality is reflected to a degree in Vermont. Vermonters, especially younger people and those at the lower end of the educational and economic spectrum, have limited opportunities to build a livelihood that can sustain them and their families.
- Our infrastructure, built to sustain the small towns and factories of a century ago, is aging and, in places, vulnerable. New building and economic growth will depend on adequate water and sewer capacity, which is limited in many areas.
- Vermont's population, projected to grow by only 1% between 2013 and 2017, is aging more rapidly than the nation's. This creates challenges to our education system, tax structure, customer base and workforce. It also raises questions

about succession in the many small businesses that make up a large part of our economy.

- Vermont's small tax base means limited availability of funds for business incentives or infrastructure investment. We are also faced with aggressive and well-funded business recruiting from our neighboring states: New York, for instance, has recently instituted the Start-Up NY program that will allow eligible businesses to operate tax-free for ten years, while New Hampshire has no income or sales tax.
- The natural resources so crucial to our state's economy and brand—and areas such as food production, tourism, and recreation—are vulnerable to climate change, pollution and depletion. Vermont's forests, which helped mitigate the flooding caused during Irene, are located primarily (85%) on private land, too little of which is covered by forest management plans that can help sustain them as an economic and natural resource.
- With aggressive new clean water standards set for Lake Champlain and Long Island Sound, we must find ways to curb run-off and pollution within our regional watersheds while maintaining and growing land-based economic activity.
- Energy costs, while low in New England, remain high relative to the rest of the U.S.

To tackle these and other issues, and to explore new ways to grow our economy, this CEDS, first and foremost, lays out a road map and an economic development action agenda. As much as possible, this CEDS focused on actions that can be taken and goals that could be achieved without requiring new legislation or taxes.

Rather than a specific work plan, it is an iterative document that will be continually updated, revised and refined over the next five years. In the following pages of this summary, we document:

Goals: *Outcomes that can be achieved by 2020 through implementation of this CEDS.*

Measurable targets: *Metrics for success*

Strategies: *The approaches that will help us get there.*

Not included here but detailed in the full document are:

Initiatives: *Ideas or actions that we plan to take.*

Projects: *Actions that are well planned and ready for execution. “Vital” projects are those that may be ready to be submitted for federal funding.*

III. 8 STEPS TO SUCCESS

Economic development is a complex process involving the interaction of multiple, interdependent systems, each with its own parameters and institutional frameworks.

We cannot, for example, produce and retain a skilled workforce without addressing education, housing, health care, poverty and a host of other social and economic factors. Each of these factors, in turn, has its own "ecosystem" of government, non-profits, businesses and private agencies working toward a set of specific goals.

The CEDS process has identified the following high-level strategies as key components of Vermont's economic development system. When approached in a coordinated way, these four key action areas (each with measurable targets) will help us accomplish our economic mission:

1. **Make Financing Accessible:** Create financial structures and programs that give Vermont enterprises access to capital and the means to grow.
2. **Educate a Great Workforce:** Ensure that all Vermont citizens have the skills they need to produce a robust livelihood and that Vermont businesses have the skilled talent they need to succeed.
3. **Build for the Future:** Provide for and improve the infrastructure that is critical to future economic and community development in Vermont.
4. **Help Businesses Flourish:** Create a hospitable environment for the establishment, cultivation and growth of businesses at all stages and for entrepreneurial innovation. Identify the sectors that will have the greatest impact on our economy and quality of life and ensure that they are adequately networked, supported and staged for growth.

While the above strategies make sound policy sense for any region, the CEDS will also set forth strategies to address opportunities and issues unique to Vermont as a state. While these are harder to measure, they are:

5. **Enhance the Vermont Brand:** We will support and strengthen the unique values and assets that contribute to the Vermont brand and continue to leverage it to grow our state.
6. **Preserve our Working Landscape:** By building upon the abundant and unique assets of our working landscape, the innovative spirit of its associated businesses (such as food, farming, forestry and tourism), and the commitment of

Vermonters to their communities, we will foster economic vitality, resiliency and the sustainability of Vermont’s landscape.

7. **Cultivate Innovation:** Vermont's uniquely collaborative entrepreneurial culture has been a major spur to innovation in sectors such as advanced manufacturing, software and value-added agriculture. We will nurture and build upon the networks and hubs that produce innovative products, processes and services to benefit Vermonters and the Vermont economy.
8. **Plan for Resilience:** The lessons learned from natural impacts (such as Tropical Storm Irene) and economic impacts (such as the closure of Entergy’s Vermont Yankee plant) have helped Vermont anticipate and prepare for future events.

Most importantly, every effort will be made to ensure that no Vermonter is left out of our state's prosperity. We will forge inter-agency partnerships to tackle the broader socio-economic issues that limit both economic development and Vermonters' quality of life. These include poverty; lack of affordable housing across a range of income brackets; health quality and health care access; and substance abuse prevention and remediation.

By reaching the targets in each of the action areas, we will grow the Vermont economy. However, there is still the need to track the state’s overall progress in *“improving the economic well-being of Vermonters while maintaining our quality of life, natural resources and community values.”*

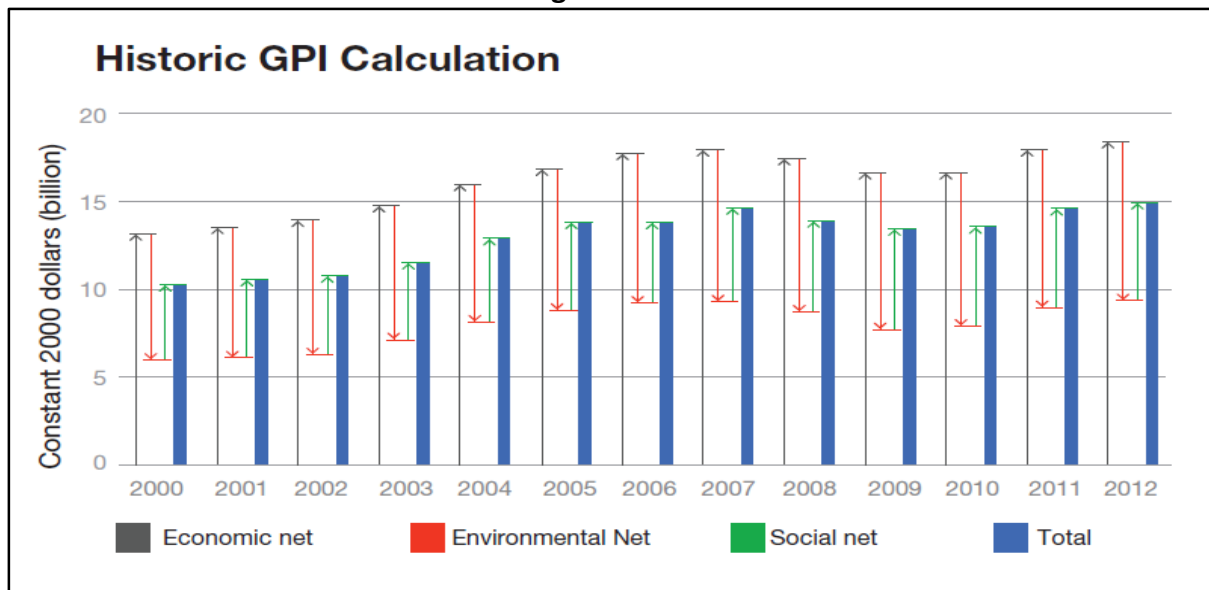
How Do We Measure Success?

The most commonly used measure for economic activity is the Gross Domestic Product (GDP). However, this metric does not include many factors that reflect the well being of Vermonters or the value of natural resources and community values. For example, GDP does not measure:

- The value of unpaid labor, such as volunteerism
- The depletion of built and natural capital
- The economic drag of income inequality

The Genuine Progress Indicator (GPI) includes the same measures of consumption that form GDP. However, GPI adds 25 other factors to include economic impacts of resource depletion and changes in social capital. For this reason, Vermont will measure its economic progress with GPI. Using that metric, the Vermont economy added about \$15 billion in value in 2012, the last year the full set of data is available

Figure 7



Source: *Gund Institute at the University of Vermont*. Note: The above figure is in constant dollars.

As the chart above shows, the base for GPI is the value of GDP (economic net), minus the environmental degradation (environmental net), plus the social benefits (social net) such as education, health care and more. Using the measure of GPI, Vermont is now able to articulate its goal for progress:

The overarching goal for this Development Strategy is to increase the Genuine Progress Indicator by 5% over baseline by 2020.

1. Make Financing Accessible

Vermont is a state of small businesses and entrepreneurs. For them to continue to grow, we must have a robust financing system that ensures access to and a choice of the right match of capital no matter their size, business sector or stage of development. State government is limited in providing access to capital for private sector businesses. However, a combination of appropriate regulations, incentive programs and technical assistance, can provide incremental support for financing activities and incent private sector funders to engage. A successful financing system also includes technical and business assistance to ensure that entrepreneurs have the advisory capacity and leadership skills they need to put outside capital to productive work.

Goal: Vermont will enjoy continuous and robust increases in private capital investment to produce new employment and economic activity.

Measurable target: A \$1 billion increase in investment in Vermont by 2020.

To achieve this objective, Vermont will pursue the following strategies, among others, each representing a point on the spectrum of a complete financing system:

Table 3 – Major Components of Increased Investment

Finance and Capital Program	Past Record of Investment	Future Target (by 2020)
New Investment Instruments	\$0	\$200 million
Renewable Energy and Energy Efficiency Investments	\$500 million between 2008 and 2013 for solar, wind and efficiency	\$500 million above the current baseline
Direct Foreign Investment through EB-5	\$300 million between 2006 and 2013	Additional \$300 million

Strategy 1: Establish and maintain a portfolio of funding and financing programs that can effectively and sustainably meet the needs of Vermont's businesses, regardless of their size, business sector or stage of development they are in. Also, build a comprehensive system to provide access to financing and mentoring for promising early-stage companies, particularly those in the "new" economy that are knowledge- or service-based and lack tangible assets.

Many promising sectors of the Vermont economy that need capital, especially in the early stages of development, find it difficult to attract investment. For those businesses, Vermont will enhance a financing and technical assistance system with the following attributes:

- Accessible for credit-worthy and investment-worthy businesses
- Transparent: investors/funders and entrepreneurs understand the breadth of creative options available to get a deal done
- Has advisory capacity: brings technical, business and leadership expertise
- Sustainable, values-based
- Targeted by industry/sector and structured to fit with industry needs
- Matching risks and rewards, providing win-win opportunities for investors and businesses
- Collaborative: funders work together and understand one another's investment criteria
- Locally based: money circulates locally, attracting local investors, lenders and funders of all types (foundations, for-profit, non-profit, etc.)
- Highly networked: able to help entrepreneurs find the right match for their needs

Strategy 2: Vermont's Public Service Department and Agency of Commerce and Community Development will partner with the Energy Action Network to follow up on energy financing strategies.

Vermont has established an ambitious goal of meeting 90% of its energy needs with renewable sources by the year 2050. This will require expanded business and government capital resources to finance new, local electricity generation, new transmission and distribution infrastructure, and energy efficiency improvements in homes, businesses and vehicles.

The renewable energy and efficiency sector in Vermont has already successfully raised capital for a number of clean energy projects. Developers have constructed large-scale wind and solar projects using a variety of financing resources. The Energy Action Network has convened representatives of the clean energy sector with the financing community to explore additional financing options for new projects.

Over the next five years, Vermont plans to increase investment in new generation, transmission and distribution, and weatherization by \$500 million. The return on this investment will be in the form of reduced outlays for energy provided by out-of-state (and often offshore) sources. This, in turn, will mean more money will stay in-state in years to come.

Strategy 3: Expand the use of EB-5 to attract foreign direct investment in a range of business expansion activities.

Vermont government, in partnership with private sector partners, has established a financing system that links foreign sources of capital with businesses looking to expand in Vermont. Vermont was the first state to serve as a Regional Center for the coordination of EB-5 projects. Vermont's use of foreign direct investment has resulted in approximately \$300 million invested in the past five years, largely focused on tourism and recreational facilities, with resulting revenue growth in the Vermont tourism and recreation sectors. Future EB-5 investment is expected in manufacturing. Vermont has established a goal of raising an additional \$300 million in EB-5 qualifying investments in the next five years.

2. Educate a Great Workforce

With one of the lowest unemployment rates in the nation, one of Vermont's primary challenges is ensuring that expanding businesses have the workforce they need. Because the population of entry-level workers is declining in Vermont (as it is in the rest of the United States) this CEDS focuses on improving the skills and productivity of its existing workers, rather than just increasing the number of jobs. This approach can

benefit both the state's economy and its workers by increasing economic value and raising wages for workers who improve their skills.

Participants in the CEDS outreach meetings repeatedly spoke of the challenge many Vermont entrepreneurs face in finding enough workers with the right skills to help businesses thrive. The state's current investments of more than \$1.5 billion in public education and additional tens of millions of dollars for workforce training are only partially succeeding in filling the skills gap.

Workforce and Education Goal *Existing and future employers find workers with required skills and the state's workers embrace lifelong learning to ensure access to careers with livable wages.*

Measurable Targets:

- **Vermont worker productivity (GDP per worker) is improved 5% by 2020.**
- **The Vermont average wage tracks the improvement in productivity gains.**

The result of accomplishing a 5% increase in worker productivity will be an additional \$1.1 billion in Gross Domestic Product (GDP) for the state and an estimated increase in Vermont salary and wages of \$550 million per year by 2020.

Table 4 – Vermont GDP and Wages Goal

Year	GDP per worker	Average Wage	Wage as percent of GDP
2000	\$56,900	\$28,900	51%
2012	\$83,700	\$41,000	49%
2014 (est.)	\$88,000	\$43,000	49%
2020 baseline	\$100,900	\$49,200	49%
2020 with goal	\$106,000	\$52,000	49%

Sources: Worker numbers and wages – Vermont Department of Labor, GDP – US BEA.

The following discussion of strengths and challenges separates the delivery of workforce education and training into two parts (although in reality, they are portions of the same life-long education-employment continuum). "Workforce training" refers to activities geared to building workers' skills after they have left traditional pre-K-16 education.

Strategy 1: Establish a Network of Education and Workforce Training *Create and maintain a state-of-the-art system of linkages among all of Vermont's educational and training institutions and the state's businesses and workers.*

To meet the Workforce and Education goal, Vermont needs a comprehensive workforce education and training system. The 2014 Vermont Legislature agrees. Act 199 requires the Commissioner of Labor to develop “an integrated system of workforce education and training in Vermont.” The three strategies that follow focus on traditional public education, career and technical education and workforce training. They address different populations, but will work together to produce a fully integrated system.

Strategy 2: Increase Participation in Secondary Education *Increase the percentage of Vermont high school students who pursue higher education.*

Many higher education experiences provide both a strong foundation for a range of career options and the social transition between home-based school and the entry into independent, adult life. While there is a growing sentiment that not all high school students benefit to the same extent from higher education and that its associated costs and debt burdens exceed resulting benefits, the general trend of greater college participation is driven by the reality that a college degree—associate's, bachelor's, or graduate—opens doors for higher-wage opportunities which are closed to those without those credentials. As a particular sub-goal, Vermont should place an emphasis on expanding higher education opportunities for students from lower income backgrounds.

Strategy 3: Build Career Technical Education Opportunities *Improve career technical education for high school students interested in careers as skilled tradespeople*

Career technical education will provide better career training and can open a wide array of work opportunities for some students, for instance, as skilled tradespeople, manufacturing workers or software developers. Redesigned “career and technical education” will also better address the demands of the business community for both entry level, current workers and older workers adaptable to changing employment needs.

Strategy 4: Build a Continuum of Workforce Training Opportunities. *Improve the delivery of workforce training to Vermonters who have left the public education system*

In a rapidly evolving economy, employees require continual training to enhance workplace skills. The accelerating need for advanced workforce skills puts an increased demand on training programs. The increasing mobility of workers from job to job (carrying with them the skills developed through training and experience) builds a greater need for public investment in workforce training.

Vermont currently spends more than \$60 million a year to deliver training to everyone from high school students, to inmates, to veterans. There is also a wide range of training

programs targeted at new and current employees. Better coordination of training activities, including those delivered by the private sector, will ensure that the content and delivery of training produces maximum benefit.

Implement a comprehensive workforce training system with:

- Assessment of skills needed by workers and employers
- Coordination of skills delivery with the needs of the business community
- An enhanced information and referral network for workforce training activities
- Delivery of high quality training experiences geared to individual learning styles
- Certification programs to ensure quality and communicate delivered skills
- Evaluation of training programs to ensure quality and continuous improvement

Strategies focusing on other important workforce sectors will also be developed, including:

- A focus on older workers, recognizing the potential to expand their participation in the workforce to make up for the shortage of new workforce entrants. We must also look at how we “*Optimize the Potential of Vermont’s Older Workers,*” per the recommendations in the report of this same name produced by the Windham Foundation in 2008.
- Initiatives to attract more young workers to Vermont to reverse the decades-old trend of net numbers of young workers leaving the state.
- Strategies for training to strengthen the skills in the population of self-employed sole proprietors contributing to the state's economy and skill base.
- Ways to reengage new parents in the workforce

3. Build for the Future

Like the nation as a whole, Vermont faces the challenge of maintaining and upgrading its aging infrastructure. Vermont's citizens place value on the preservation of historic villages and buildings, open fields, forests, ridgelines and rural byways. But we also demand the expansion of telecommunications, water treatment and wastewater management systems. While preserving long-standing community assets is crucial to Vermont's unique character and its visual aesthetics (which have their own quantifiable economic as well as social benefits), it also presents challenges for economic growth:

- Materials and products, tourism and business traffic must flow easily and efficiently within the state, to urban and business centers in neighboring states

and Canadian provinces, and to international trade hubs such as Montreal, New York, and Boston.

- Residents, institutions and businesses need reliable, affordable supplies of energy and electricity.
- Access to reliable high-speed Internet and cell phone service have rapidly become baseline prerequisites for all citizens and businesses.
- With increasingly strict federal water quality standards for Lake Champlain and other watersheds, some future business growth will be contingent on adequate wastewater and storm water treatment.
- Vermont must maintain its leading rank in the nation as a "safe" state, a significant attraction for people considering where to raise a family and operate businesses.
- Along with ensuring a workable mix of facilities for business startups and expansions, Vermont must increase its supply of affordable homes and apartments and maintain vibrant communities to attract and retain entrepreneurs and workers.

Physical infrastructure includes the public and publicly regulated assets that enable businesses and communities to function productively. The full CEDS document examines eight infrastructure components in detailed subsections:

1. Energy Systems
2. Housing
3. Industrial sites
4. Public Safety
5. Telecommunications
6. Transportation
7. Drinking Water
8. Water, Wastewater and Stormwater management

Overall Physical Infrastructure Goal: *Vermont has the necessary transportation, utility, real estate, telecommunications, and other physical infrastructure to support thriving business operations throughout the state.*

General Infrastructure Strategy *Develop and implement cross-agency coordinated infrastructure plans that build upon all existing relevant state and regional plans to accomplish the following:*

- *Focus municipal infrastructure investments to support business development and affordable housing.*
- *Help towns plan so they have the infrastructure needed for economic development and housing growth, especially water and sewage treatment systems.*

- *Coordinate state agency activities to facilitate the implementation of infrastructure projects.*
- *Achieve statewide energy goal of 90% use of renewable energy by 2050.*
- *Achieve telecom goals in areas targeted for economic development*

4. Help Businesses Flourish

A strong state economy will depend on a skilled, motivated workforce, access to private sector capital, and reliable public and regulated infrastructure, as discussed. Equally critical, though, is an environment that allows businesses to flourish. A strong business environment encompasses technical assistance, networking opportunities, reasonable operating costs and a consistent, predictable regulatory climate.

Vermont's rural nature will always present businesses with challenges including high costs and limited access to large business networks. However, the state can continue to develop a business environment that fosters the birth and growth of Vermont-based businesses, facilitates the strategic relocation of companies that have an inherent and sound business reason to be based here, and encourages businesses to remain strong here, even after a transition in ownership.

One factor that differentiates Vermont from other states is the widely recognized high quality of life in Vermont. While not always directly associated with the business environment, high quality recreation, natural beauty, low crime and good public schools contribute to the success of Vermont businesses. These factors have attracted entrepreneurial, highly educated migrants whose businesses either benefit from the Vermont brand or can function effectively in an environment that suits the founder's lifestyle choices.

In addition, the Vermont brand and the state's reputation for quality and craftsmanship, trustworthiness and integrity bring value to the goods and services produced here. These qualities, as well as a nimble regulatory environment, have already helped establish certain sectors here (such as captive insurance and food). These qualities are increasingly valuable and can be used to attract new and growing sectors such as cyber security and financial services.

Business Environment Goal: *Ensure that Vermont's regulations, policies, programs and assistance programs provide a competitive advantage for business recruitment, retention, expansion, creation, and operations.*

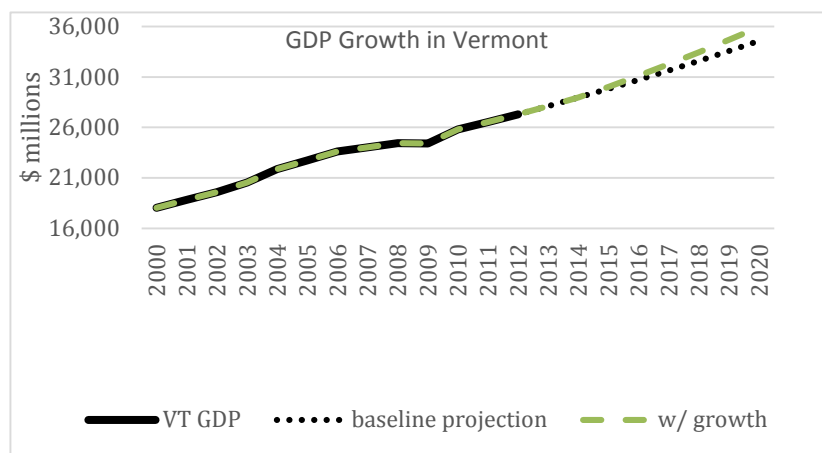
Measurable target for the goal: *Increase the GDP 4% from baseline growth by 2020.*

In 2012, Vermont had a Gross Domestic Product (GDP) of \$27.3 billion. Background growth including inflation will increase GDP to \$34.6 billion by 2020. Implementation of Vermont’s Comprehensive Economic Development Strategy will increase the GDP by an additional 4% or \$1.3 billion to \$35.9 billion.

Table 5 - Vermont GDP Growth	
Year	Vermont GDP
2000	\$18.0 billion
2012	\$27.3 billion
2014 (est.)	\$29.0 billion
2020 (baseline)	\$34.6 billion
2020 goal	\$35.9 billion

Strategies for Meeting the Business Environment Goal

- *Facilitate start-ups and enhance their success rate. By working more closely with smaller companies and linking them with appropriate partners and resources, Vermont can help reduce failures and nurture companies with a capacity to grow.*
- *Reduce business costs by improving regulatory processes and helping businesses identify and implement cost reduction measures.*
- *Develop recruitment and retention plans specific to individual target sectors.*
- *Reduce hurdles to growth by examining pertinent systems, policies and legislation and recommending improvements.*
- *Implement health care reform to simplify administration and reduce costs*
- *Foster an environment that sparks, encourages and grants businesses the freedom to innovate.*



12 Priority Sectors

In addition to the above, Vermont will target its economic development resources towards sectors that have relatively strong prospects for growth, an existing concentration of business activity in Vermont and, in some cases, characteristics that can help Vermont meet some of its non-economic goals. A significant part of Vermont's current economic activity is not included in these sectors. This is not a judgment on the value of those businesses to Vermont and in most cases the overall improvement of economic conditions in Vermont will provide the basis for growth in the non-priority sectors. Rather, it is recognition that a constantly strengthening economy is highly diversified and the state has the opportunity to support that diversification. This does not mean the state will be investing in these areas – businesses will be doing that.

Strategy: Work with a variety of partners to maximize the benefits to each of these sectors from the initiatives outlined in the first four Action Areas: access to needed capital and financing, a strong and skilled labor pool, critical infrastructure, and a competitive business environment. In addition, where applicable, apply the successful model of network support used in the Farm to Plate program that has generated more than 2200 new jobs.

The choice of these priority sectors is based on the following criteria:

- Potential for growth
- Existing concentration in Vermont
- Strong leadership
- Higher than average wages
- Meeting other policy goals*
- Building on Vermont strengths such as the Vermont brand and quality of life *

The CEDS Committee reviewed sectoral data and identified the following broad sectors as showing particular promise over the next five years, or (as marked with an *) are important to grow our quality of life.

- Advanced Manufacturing
- Arts and Culture*
- Biotechnology
- Education*
- Financial Services and Insurance (including Captive Insurance)
- Food Systems*
- Forest Products
- Green Businesses
- Health Care*
- Renewable Energy and Efficiency*

- Software Development and IT
- Tourism

5. Enhance the Vermont Brand

In every region of the state, people refer to the importance of ‘that Vermont thing.’ That ‘thing’ can be better described as the Vermont brand: the sum of impressions and values conveyed by the word *Vermont* and all it is applied to.

In 1891, a promotion observed that Vermont is:

“A place of rural beauty, a place where farms produce wholesome food and where mountains, lakes and trails offer vigorous, refreshing outdoor recreation, a place where history is important and relationship to the land still means something. Vermont is a safe place away from the noise and crime of the cities.”

Those sentiments, resurrected by Tom Slayton in his editorial in *Vermont Life* in 2003, still ring true today.

Vermont’s brand strengths are well documented and supported by a number of nationwide accolades. As of 2014, Vermont ranks in the top three states in the nation for quality of life and health and is first in the Opportunity Index, (opportunity.org).

A 2003 branding study by the O’Neal Strategy Group observed that the words “hard-working, friendly, respectful of the environment” as the brand personality and “beautiful, peaceful, natural, genuine and year-round outdoor fun” as the brand’s attributes.

The consultants also noted, however, that the attributes and the outside perception of the brand did not encompass how well Vermont caters to families nor did it convey the skilled workforce. Those two items are key attributes that Vermont can leverage. In addition, its history of creating high-quality and authentic products can be an asset that as Vermont seeks to attract both new workers and new businesses.

A challenge brought up by CEDS participants: how to update the brand to reflect both the bucolic, rural image of historic Vermont and the vibrant, innovative culture and technology that is part of our new economy, particularly in cities such as Burlington. How then, do we both retain tourists who come for relaxation and recreation and attract new, young residents who come here for jobs, to start businesses and raise families?

While many may suggest an ad campaign, we must remember that a brand is a cumulative sum of impressions and that new impressions and experiences with the product or services will far outweigh any media campaign.

Strategies to Build the Vermont Brand

- *Build on and update the Vermont Brand to attract a new generation of visitors, residents and businesses and add value to the goods and services produced here.*
- *Leverage historic level of quality and craftsmanship and extend to new innovative products and services*
- *Market products and businesses under the Vermont umbrella*
- *Tell Vermont's business success stories globally*
- *Celebrate the success of our tech sector and highlight its many events (TechJam, ITV Fest, Woodstock Digital Festival)*

6. Preserve Our Working Landscape

Farms and forests define the physical nature of Vermont, and because Vermonters are closely tied to the land – both for its aesthetic beauty and contribution to our well-being through recreation – the land is a basis for considering economic activities, as well. For many years, Vermont has been recognized for its responsible environmental policies to protect that land and its beauty. Examples include no billboards, early adoption of a bottle bill and land use regulations that require well-planned development before open land and forests are converted to buildings, parking lots, and roads.

In the past ten years, tremendous activity has been focused on both the environmental and the economic benefits of the working landscape. Farms are the source of food, forests are the source of lumber, fuel and fiber and the overall landscape is the premier drawing card for visitors to the state. The realization has taken hold that possibly the best way to protect the landscape that we love is to ensure that it provides economic value. Altogether, the economic activity related to the land is captured under the term “working lands”, and Vermont is once again taking a leadership role in developing strategies for using the working lands as the basis for future economic activity.

The role of working lands to the state's economic development strategy is most apparent in the selection of the Target Economic Sectors that are the focus of initiatives and projects. Food Systems, Forest Products, and Tourism and Recreation are three of the sectors impacted by the Working Lands Investment Program established by the Vermont Legislature in 2009 and the Farm to Plate Program.

Each of the Action Areas has had, and will continue to consider working lands with a set of economic activities to: raise capital, strengthen the workforce, establish appropriate

infrastructure and ensure a healthy business environment to allow the businesses involved in the working landscape the best opportunity for future health.

Goals for Working Lands – The Vermont Farm to Plate (F2P) program has established a set of goals and provides regular updates to track progress.

Strategies

- *Continue to leverage Farm-to-Plate program to build jobs and businesses in agriculture sector.*
- *Apply sector Farm-to-Plate approach to forest products industry*
- *Encourage private landowners of large areas to create sustainable, economically viable multi-use plans.*

7. Cultivate Innovation

For a state with a small and largely rural population, Vermont has an impressive history of innovation. In the 1820s the town of Windsor was the home of the modern machine shop. Today, Burlington ranks #2 on Business Insider’s list of the 20 most innovative cities in the U.S.

Vermont can lay claim to any number of innovative firsts: from the University of Vermont, the first land grant college to Champlain College’s leading gaming curricula and Norwich University’s cyber security program; from Orvis’s reels and fly rods to Burton’s snowboards; from the invention of the first electric motor to Efficiency Vermont, the first state-wide energy efficiency program; from Ben & Jerry’s novel approach to ice cream to the Keurig Green Mountain K-cup beverage system.

Thanks in large part to the contribution of IBM, Vermont ranks seventh in the country in patents per capita. Recent legislation in Vermont to protect against patent trolling seeks to protect our innovative and creative inventions.

Events such as the Vermont Tech Jam, Hackathons and our burgeoning network of co-working spaces are designed to fuel creative entrepreneurship. Business pitch contests such as LaunchVT (with its \$70K reward of cash and in-kind services) and Peak and Road Pitch, with its creative pitch approach help recognize and reward good ideas.

Throughout the CEDS process, the need to foster innovation was a continual theme and since innovation runs across many aspects of the economy, it is included in every sector. Each of the four key Action Areas will require innovative approaches to help Vermont capitalize on its relative advantages. Similarly, maximizing the value of information to help businesses and support the information infrastructure is critical for advancing the state’s economy. While innovation runs through all sectors and all goal areas and is

inherent in many of the initiatives, it deserves its own dedicated goal, metrics and strategies:

Goal for Innovation – *Vermont will continually nurture and promote a culture of innovation across business, education, government and non-profits.*

Measurable objectives – *Vermont will develop the Innovation Index, similar to Maine’s, using indicators from other state efforts and, each year, improve the score on the metric.*

Strategies

- *Expand throughout Vermont the work that the Vermont Center for Emerging Technologies has done in helping to incubate and nurture start-ups in the Burlington and Middlebury areas.*
- *Foster networks of incubator, co-working and maker spaces that are tied to urban hubs around the state with connections to educational institutions.*
- *Encourage collaboration among Vermont’s varied institutions of higher education to foster R&D and commercialization and to spur entrepreneurship in key sectors.*
- *Create statewide programs similar to the multi-institution Food Systems curricula.*

8. Plan for Resilience

The outreach efforts that underlie this Comprehensive Economic Development Strategy placed particular focus on resilience. To move beyond the largely flooding-related strategies analyzed through other resilience projects in Vermont in the wake of Tropical Storm Irene, the CEDS outreach efforts enumerated other types of shocks that threaten harm to the Vermont economy. These include:

- The loss of strategic employers
- Increasing health care costs
- Increasing energy costs
- Disruption in energy supplies
- Health pandemic

For each of these particular threats, specific strategies complement the general strategies that have been the result of work to address future flooding threats.

However, we must also be prepared to adapt to the conditions that may occur with climate change, such as weather events, including lack of snow, drought, heat and blizzards.

The only certainty is that the climate will change and a more thorough consideration of possible impacts on the Vermont economy, while difficult to pinpoint and quantify, will at least not surprise us. If we can make economic decisions that prepare the state and its businesses for a range of outcomes, then we will have made some progress in the larger strategy to improve the state's economic resilience.

Vermont's small economy has some of the highest per capita use of fossil fuels of any state in the country. If Vermont can take the lead in efforts to reduce the emission of greenhouse gases, it will signal the state's acceptance of responsibility for climate change and may position Vermont for leadership on necessary initiatives to help all energy users change their practices.

IV. CONCLUSION

This CEDS is just a starting point, a strategic document that will become a foundation for work plans across state and local governments, organizations, educational institutions and businesses. Achieving the goals outlined here will take a coordinated effort of all interested parties.

As the CEDS rolls out, initiatives and projects will be assigned leaders and work plans. This plan will be updated annually every year for the next five years. Each year, we will assess progress, identify gaps and modify plans as needed.

More initiatives will arise; more projects will be undertaken. It will be hard work.

But Vermonters are good at that.

Many thanks go out to Governor Shumlin and his Cabinet, the CEDS Committee, state employees from a variety of agencies and the hundreds of citizens who participated in the planning and creation of this document, and to the thousands more who will participate in its implementation.

And lastly, we welcome your participation and involvement. To make suggestions, recommendations or participate in future planning please visit ThinkVermont.com.

APPENDIX: Vermont 2020 FAQs

What is a statewide Comprehensive Economic Development Strategy?

This statewide CEDS is a strategic document that establishes key goals the state will work toward over the next five years to improve the quality of life and economic well being of all Vermonters while maintaining our natural resources and community values. It suggests the measures that can lead us there and identifies projects that may be implemented by a variety of organizations, public and private.

How will this be implemented?

The Department of Economic Development will work with partners across state government, education and in the private sector to identify the teams that will best push forward the initiatives described with clear goals, work plans and timelines for their accomplishment.

Who will be responsible for implementing this?

State agencies, regional development and planning organizations and many others will work with private and public organizations to implement the strategy.

How will projects or initiatives mentioned here be funded?

Every project or initiative will need to go through the usual application processes to be considered for funding at the state or federal level. Projects or initiatives that are mentioned in this CEDS (or which directly meet the goals laid out here) may receive special consideration for federal funding. If you are working on a project that you believe is mentioned in here or directly meets the goals, please contact the Department of Economic Development.

How do we apply for federal funding for a project that may not be included in this CEDS?

Please submit your project to the Department of Economic Development. In your application for federal funding, clearly state how it meets the specific goal.

What is the process for submitting a new project for inclusion?

The CEDS will be updated on an annual basis but new projects will be considered for inclusion on a rolling basis. If you have a project you would like considered for inclusion please visit ThinkVermont.com to learn more about the process.

How do regional plans fit in?

This CEDS is intended to build off of and support regional CEDS and strategic plans. Any application for funding should mention how it meets both regional and statewide CEDS goals.

How will we know if we are successful?

The Department of Economic Development will issue an annual update on progress made toward the specific goals, including initiatives that have been implemented and results.

How can I learn more or participate?

If you are interested in participating in future meetings, initiatives or simply want to learn more, please visit ThinkVermont.com.