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A rich future?

Public wants plan for Vermont economy

By KEVIN O'CONNOR Staff Writer

Long before last autumn's financial fall, the Council on the Future of Vermont found stunning agreement on residents' top concern: the economy.

The only thing more surprising: People's worry over a perceived lack of state fiscal planning.

More than 80 percent of those surveyed in the winter, spring and summer of 2008 pointed to Vermont's cost of living - the ninth most expensive in the country - as its No. 1 challenge.

Since then, the squeeze has only grown tighter. Although the state's average household income has risen in the last two decades and now nears the national mean, many workers' pay hasn't kept up with inflation - in part, the council found, because of the high price of housing, health care, energy, transportation and food.

Increasing costs, in turn, are decreasing confidence.

"Despite or perhaps because of a strong feeling of commitment to the state, many Vermonters from across the geographic and demographic spectrum express concern and anxiety about the future of Vermont, particularly its long-term economic health," the nonprofit, nonpartisan study group reports. "This sense of unease is fueled in part by the perceived lack of a comprehensive economic vision for the future."

The state's economy - once rooted in farms and forests, mills and mines - is changing. Government, real estate, manufacturing and health care - now the top four sectors - account for nearly half of Vermont's gross domestic product, with recreation, tourism and education also recording significant gains.

The council, after surveying almost 4,000 experts and everyday folk at more than 100 meetings over the past 18 months, will launch a series of local discussions this week on its new 112-page report, "Imagining Vermont: Values and Vision for the Future" (available on the Web site www.futureofvermont.org).

"Several sweeping questions about the future of the state have emerged," it begins. "Will the Vermont economy be invigorated by an entrepreneurial spirit and new innovative businesses? To what extent will Vermont move toward greater self-sufficiency in food and energy production? Will this be an affordable, safe place for young families? Will it be a place where a person can find good paying and meaningful work?"

The council is proposing several answers.

The problem

Vermont's \$24.5 billion economy is the smallest in the nation. But the study group says the state is facing some big challenges.

Consider jobs. Only nine organizations in the private sector report more than 1,000 workers, while nearly 80 percent of employers have payrolls of 10 or fewer, according to a council-commissioned study, "Vermont in Transition," by the Center for Social Science Research at St. Michael's College in Colchester.

Fewer Vermonters are laboring on farms, in forests or in factories - manufacturing jobs have fallen by nearly 10,000 in the past two decades, from 18.4 percent of the state's total to 12 percent. More people are working in health care, retail sales, professional services and government. (The latter, now Vermont's largest employer, has added more than 9,000 local and 3,600 state workers in the past two decades.)

But Chittenden County, with a quarter of the state's residents, has created half of all new jobs in the past 30 years. That's best seen in health care, which has risen from 8.9 percent of all jobs two decades ago to 14.1 percent today. Burlington's Fletcher Allen Health Care, Vermont's second largest private employer, increased its staff nearly 50 percent over the period to more than 5,000 workers.

Also growing: what the council calls an "income disparity gap." The wealthiest one-fifth of Vermonters collects about half of all household income, while the bottom fifth receives less than 5 percent. (The gap extends to geography: Chittenden County's annual average earnings of \$41,863 are about 15 percent higher than statewide.)

Although its poverty rate is low compared to other states, Vermont has 61,000 residents living below federal standards, 56,000 receiving food stamps and 20 percent more families staying in homeless shelters than in 2000. But even those with money can't always afford to live and work in the state. In the past decade, Vermont housing costs, now above the national average, rose faster than household income, which is below the national average.

Business owners report a similar bind. The 18-member council heard many people say while the state supports small businesses and startups, it doesn't always help employers seeking to expand.

"Larger businesses that support many of the workers in Vermont have a history of moving out of state where it may be easier to grow or where lower costs lead to a higher return on investment," the council writes in its report. "This pattern worries Vermonters today."

The solution?

What to do? The study group, established by the Vermont Council on Rural

Development, makes several recommendations in its report, starting with a call for the state to tackle the rising cost of housing, health care, energy, transportation and education.

"Vermonters need to develop a comprehensive focus and united leadership to improve affordability," it writes.

How? The council interviewed longtime economists Jeffrey Carr and Art Woolf and, at last month's Summit on the Future of Vermont, gathered a roundtable of experts headed by Frank Cioffi, president of the Greater Burlington Industrial Corp., and state Labor Commissioner Patricia Moulton Powden.

"The discussion was broad - workforce development, tax policy, health care costs, what helps business start and succeed here," Powden says. "Corralling all those varying views into a single vision and action plan is the challenge. We can all nod in agreement on overall goals, but the devil is in the details."

For proof, experts point to last week's first-ever state budget veto by Republican Gov. James Douglas and equally historic override vote by the Democrat-controlled Legislature. If government leaders can't agree on a spending plan for a single year, can they come together on long-term economic strategy?

"This problem defies a simple short-term solution," the council acknowledges in its report.

Even so, the study group has a few suggestions. Hearing firsthand how big-box chain stores are threatening small local businesses, it calls for more individual and collective efforts to strengthen downtowns and village centers.

"The distinctiveness of Vermont is endangered by the commercial homogenization seen in so many other areas of the country," it writes. "To preserve working downtowns, and to remain an attractive place for tourists and locals alike, local arts and cultural activities, local purchasing, local economic development, and the expansion of Vermont markets should be supported through measured policy and investment."

The council calls for more support of the "creative economy," noting Vermont ranks 13th nationally in its percentage of artistic workers. And it adds that Vermont should "build, adopt, and invest in economic development strategies that are rooted in the values, skills, natural assets, and brand identity of the state."

The 'Vermont brand'

To do so, the council calls for small and large businesses and the tourism, manufacturing, farming and forestry industries to work together to build an economic base on the clean, green "Vermont brand."

"Vermonters should use the brand benefits for commerce," the report recommends, "but at the same time ensure that the land and people of Vermont remain authentic

and are not distorted by a commercialized definition of this special place.”

Balancing economic and environmental concerns is tricky, however, as seen in continuing debate over state land-use regulations four decades after their initial adoption.

“Many worry that we rally against projects more readily than we pull together for them,” the council writes. “Throughout the state, many residents recognized that Vermont sometimes does in fact sacrifice job growth to maintain environmental standards.”

The council doesn't want current protections “unduly compromised or forfeited for the sake of economic or political expediency.” But it does suggest that economic and environmental leaders collaborate on such possibilities as:

- “Clean and green” businesses that help people create or conserve energy, detect or remove pollutants or purchase environmentally friendly products.
- Outdoor tourism, which now annually results in 13.4 million visitors, \$1.57 billion in spending, 36,000 jobs (12 percent of the state's total) and nearly \$200 million in taxes and fees.
- Health care jobs that will help serve the state's aging population.

The council wants the public to comment on its report during meetings this month and next in each of the state's 14 counties. Experts don't expect the discussions to end the debate between the economy and the environment. But they do hope to start plotting common ground.

“It would be nice if the pendulum would shift to the middle and we weren't always going back and forth, but it's a tough balance to strike,” Powden says. “Not to say it can't be done, but it's a struggle.”

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Editor's note: This story is part of a series on the findings of the Council on the Future of Vermont. For related articles, log onto the “Future of Vermont” special content section on www.rutlandherald.com or www.timesargus.com
