

To: CFED  
 From: Doug Hoffer & Paul Cillo  
 Date: 10 August 2007  
 Re: Proposed work plan

We offer the following comments on some elements of the draft work plan.

**Surveys<sup>1</sup>**

<p><i>The Snelling Center Strategic Statements Survey of Commission members</i></p>	<p>This was a useful effort to explore the views of the members as they begin the process. But "general agreement" should not substitute for analysis. For example, choosing to focus resources on "existing sectors of comparative advantage" assumes a great deal. It takes for granted that such a targeted approach is more cost-effective than focusing more broadly on the quality of the workforce, infrastructure, and quality of life (which <u>all</u> businesses need). On what basis can we say that the former is a better strategy than the latter when there has been no analysis of these or any other options?</p>
<p><i>Develop survey into a public survey with focus on getting various stakeholder groups to drive their members to it.</i></p>	<p>The public knows very little about economic development and cannot make meaningful judgments without more information. In our view, it makes more sense for the commission to 1) seek input from the subject area experts (as required by statute); 2) assess the performance of current policies and programs; 3) identify and evaluate a range of strategic options; and 4) share this information with the public <u>before</u> creating and distributing a survey (or as a preface to the survey).</p> <p>Without this type of information, most people are likely to repeat what they've read and heard in the media. But media coverage of these issues is often superficial, limited in scope and perspective, and sometimes misleading. Ideas and assumptions that are repeated frequently can become received wisdom whether they are supported by evidence or not.</p> <p>The point (and we believe the intent of the statute) is for this entire process to be data and analysis driven and to expand the planning process into areas that may not be addressed now. Surveying the public about economic development without providing any data and analysis in advance, is like asking consumers to rate ketchup based on taste without allowing them to sample the options. It limits the discussion to what's widely available now and makes meaningful discussion of new ideas unlikely.</p>
<p><i>Review the priorities that the DED has set (See Secretary Dorn's PPT) and develop survey around those as baseline - implement with Commission then with public.</i></p>	<p>DED's priorities are only one approach and have not been examined for cost-effectiveness. How can people judge the value of a policy or program if they don't know what it costs, whether it works, and what the options are? Furthermore, while Sec. Dorn's PPT presentation is informative, it is not a comprehensive or objective assessment of different strategies (see our Nov. 2006 response). Therefore, we do not think DED's priorities should be the "baseline" of the survey.</p>

<sup>1</sup> Italicized quotes from the draft CFED Project Plan, August 1, 2007, p.1.

## Public Outreach

<p><i>Work through the RDC's using their regional breakdown to conduct a thorough state wide public engagement process.</i></p>	<p>The RDC's are an important part of the state's ED service delivery system. While it makes sense to involve them in the process, the Snelling Center has been hired to provide this type of staff support. In addition, the RDC's are funded in part by the DED so they have a conflict of interest. This is important because the process should be organized and managed by impartial facilitators.</p>
<p><i>Work with the RDC's to set up meetings, with specific invitations to local employers, workforce development entities, United Ways, Community Partnerships, Business leaders, RPCs, etc.</i></p>	<p>The RDC's have extensive knowledge of and contacts with the business and planning communities, but they may not be as familiar with the various organizations and interest groups that represent the subject areas listed in the statute. Note: The partial list of invitees does not include employees (whether unionized or not), or many of the subject area interests (e.g., affordable housing, agriculture, child care, environment, etc.).</p>
<p><i>Two processes, one in the fall and one in the spring would be designed to cover the whole state...ask two sets of questions and present the evolving version of the planning guidelines and plan elements for comments and discussions.</i></p>	<p>It seems premature to plan public meetings for the Fall since the CFED has not collected, conducted, evaluated, or discussed research on the key issues. "Plan elements" should not be based on DED's existing priorities or the member's survey, but should follow the investigation anticipated by the statute.</p>
<p><i>We are proposing that the focus of this outreach look at what can be identified as successful infrastructure for economic development; where are the areas of greatest leverage that might guide investment and policy development. How do we create conditions for success?</i></p>	<p>Re. infrastructure and leverage: Although the opinions of business owners, planners, and others are important, they should all be balanced with data and analysis. How do we define and evaluate different types of "infrastructure for economic development"? And what about questions of ownership and funding? For example, should electric generation and telecom be left to the private sector or does government have a role (e.g., the Conn. River dams and Burlington Telecom)? And if some are opposed to new taxes, how are we to pay for needed infrastructure? And do we know which types of investments offer the largest societal return on investment (direct job creation and the multiplier effect)? All these questions (and more) should be addressed <u>before</u> such meetings occur.</p>
<p><i>The focus would be on bringing together a critical mass of key groups and their representatives to work together on the "infrastructure question." While the general public can attend, it would not be targeted to them. A wide range of invitations would be sent out with an opportunity to contribute ideas through the web if they could not attend.</i></p>	<p>How can this be characterized as "public outreach" if the public is not targeted? And since the draft work plan referred to "social infrastructure" as well as telecom and transportation (e.g., child care, housing, etc.), why shouldn't the public weigh in (as well as providers, non-profit developers, and others)? Contributing ideas through the web is fine, but it's not the same as participating directly. Meetings should be scheduled when convenient (probably not during working hours) and videotaped.</p>
<p><i>... the Commission would organize itself for members to attend as many of the sessions as possible with the goal of having three commissioners at each of the 12 session.</i></p>	<p>It's unrealistic for all commissioners to attend all meetings, but having 12 makes it much more difficult. "Blanketing the state" is less important than good preparation, good turnout, and good attendance by the members.</p>

## Possible Presentations

**Incentives:** *Vermont companies that have used EATI or VEGI incentives and Vermont companies that have expanded without EATI and VEGI incentives.*

*Questions for presenters: How important were the credits and why? How tight is the accountability? How permanent are the benefits; how committed are the recipients to Vermont? Are the incentives equally important for business “creation, attraction, expansion, and retention”?*

*Discussion among members:* *What is the efficacy of tax credit and / or cash incentives for business “creation, attraction, expansion, and retention”?*

It is appropriate to interview tax credit recipients but we should be alert to "strategic answering". That is, even though the tax breaks may have been of limited value to some, it would make no sense for a company to admit publicly that tax breaks have only a marginal effect.

In addition to interviewing business owners, the CFED should review the extensive academic literature on the subject. Limiting the inquiry to anecdotes is not sufficient for a subject of this importance.

Furthermore, the CFED should review the three reports on this subject by the State Auditor and interview Tom Kavet, who was a key member of the Auditor's team.

Finally, it would be helpful to review the available data on the businesses that were awarded credits but didn't use them, as well as businesses that used them but later cut jobs.

Without this additional information, the CFED cannot answer the question about the efficacy of tax credits.