

Working Lands Enterprise Initiative Service Provider Educational Paper

What is a Service Provider?

A service provider (SP) can be defined as an individual or organization that provides a business with specialized services, including but not restricted to production specialists, business advisors, marketing and branding firms, accountants, and management consultants. For farm, food and forest-sector businesses, when the intricacies of finance and succession planning are handled by a professional, business owners can dedicate time to developing and growing their business.

Organizations that provide funding of various kinds, including lenders, are typically referred to as capital providers. Some capital providers may also provide business or technical assistance, and some service providers may also provide limited capital assistance, such as the Viability Program at Vermont Housing and Conservation Board (VHCB) that provides grants to businesses, and the Center for an Agricultural Economy (CAE) that houses a revolving loan fund – a source of money of which loans are made for multiple small business development projects.

Authorizing Statute – Powers & Duties

Since 2013, the Working Lands Enterprise Board (WLEB) has invested over two million dollars (50) grants to (26) distinct service provider organizations, in the form of grants and contracts.

The WLEB's focus on investing in technical assistance dates back to the founding the program and board, as noted in ACT 142, §4607:

“The Vermont working lands enterprise board shall have the authority: (1) to establish an application process and eligibility criteria for awarding grants, loans, incentives, and other investments in agricultural and forestry enterprises and in food and forest systems; (2) to award grants and other investments, which may include loans underwritten and administered through the Vermont economic development authority; (3) to enter into performance contracts with one or more persons in order to provide investment and services to agricultural and forestry enterprises, including: (A) technical assistance and product research services; (B) marketing assistance, market development, and business and financial planning; (C) organizational, regulatory, and development assistance; and (D) feasibility studies of facilities or capital investments to optimize construction and other cost efficiencies. ...”

Business Assistance – Part of our Theory of Change

Early on in Working Lands Enterprise Initiative's (WLEI) history, the Board decided it would be helpful to have an Organizational Plan. The Plan outlines the organizational principles and policies of the Working Lands Enterprise Initiative, similar to bylaws. It is a living document, to be revisited and revised as needed, ideally at the beginning of each Fiscal Year. Given the inevitability of Board member and staff turn-over, the Board at that time felt it would be useful to have a document that provided a road map for implementing the WLEI year after year, thus reducing the chances of reinventing wheels.



WORKING LANDS ENTERPRISE INITIATIVE
www.vermontworkinglands.com

116 State Street
Montpelier, VT 05620
[phone] 802-622-4477
[email] agr.workinglands@vermont.gov
[website] www.vermontworkinglands.com

Agency of Agriculture, Food & Markets
Department of Forests, Parks & Recreation
Agency of Commerce & Community Development

As part of the Organizational Plan, the Board articulated its Approach of Change – or which systemic factors will influence and create progress towards the organization’s three goals:

1. Jobs: The creation and retention of job opportunities across working lands sectors;
2. Acreage: Growth in the number of acres in active forestry and agricultural use; and,
3. Establishments: Growth in number of working landscape establishments.

Approach to Change

1. Access to capital: Ability of an enterprise to secure the right match of capital to meet its financing needs for its stage of growth and scale.
2. Technical assistance: Availability of services to develop business plans, identify risk management strategies, and implement financial management systems, as well as provide topic, product, and process expertise.
3. Workforce development: Access to training that allows Vermonters who want to work in the working lands sector – and by extension, the employers they choose – to be at a world-class level.
4. Smart policy: Rules and statutes that optimize the agricultural and forest use of Vermont lands, while protecting human, environmental and animal health.
5. Value chain and sector collaboration: Relationships between different actors along the chain, as well as across industry sectors, that strengthen the system as a whole.
6. Public awareness: Communities’ understanding of and support for the businesses and organizations that contribute to our working landscape.

Also included in the Organizational Plan were a series of strategies -- what the WLEB does to achieve mission and goals. The latest version of the Plan lays out five key strategies: Business Grants; Service Provider Grants; Policy, Capital Continuum and Readiness; and Marketing & Promotion. Of these five strategies, Strategy 2 articulates the following:

Strategy 2: Service Provider Grants: Invest in Technical Assistance needs and promote coordination across the continuum. Focus on opportunities that will create and/or retain quality jobs at or above a livable wage, and train a sustainable work force.

- Develop and periodically assess our investment strategy to ensure that long term service needs are met, and funding priorities for regional groups and pilots are clarified (see Appendix A)
- Refine methodology for service provider evaluation and impact measurement
- Support convening and professional development for technical assistance and capital providers
- Permitting Navigation: proactively enhancing regulatory literacy and compliance among our grantees and other WL businesses through growth phases



WORKING LANDS ENTERPRISE INITIATIVE
www.vermontworkinglands.com

116 State Street
Montpelier, VT 05620
[phone] 802-622-4477
[email] agr.workinglands@vermont.gov
[website] www.vermontworkinglands.com

Agency of Agriculture, Food & Markets
Department of Forests, Parks & Recreation
Agency of Commerce & Community Development

History (2012 – 2017)

During the first years of grant making the Board designated close to half of grant funds available to go to SP organizations who work directly with businesses. The thought was that these funds were not intended for an SP organizations' general operating costs, but rather would be used as direct costs of working with Working Lands (WL) businesses. Thus, it could be considered like a grant to a business to receive important business assistance services, except that the funds went to a SP organization rather than to a business directly.

Each grant round there were a number of businesses who applied for grant funding, but it was clear that they would benefit from working with a business advisor for a year first – to better refine their project and plans going forward. These businesses were then referred to the Viability Program at VHCB and encouraged to reapply the following year. The VHCB Farm Viability Program provides technical assistance and grants to Vermont farmers, food producers and other agricultural businesses to attain operating success and profitability. Invariably, the grant applications WLEB received the next year from those same businesses were much stronger and clearer, often resulting in a grant award being made. As time went on, the Board concluded that some SP organizations, such as the Viability Program at VHCB, represented a core piece of infrastructure that supported the ongoing development of WL businesses.

The other important development in the early years of the Initiative was the realization that it would be beneficial to have a Forest Viability Program, similar to what farm and food businesses have had access to since 2003 – then known as the Farm Viability Program at VHCB. At the time, there were few forest-focused philanthropic entities so the only way to stand up a Forest Viability Program was for WLEI to fund it. The Board has continued to make an annual commitment to funding this essential program housed at VHCB, with the combined name being the Farm and Forest Viability program.

Recent History (2017 - present)

Over the years it became increasingly apparent that it was inefficient to have the same core and essential SP organizations apply year after year, serving a different set of businesses each year; several organizations were essentially submitting the same grant application each time. Because the Board has been committed to providing WL businesses with access to high quality business assistance to help them work on their business, it was essentially funding a small number of SP organizations to provide a number of businesses each year with a suite of services.

Over the course of 2016 and 2017, a committee of the board explored this subject further and developed a Service Provider Pilot Project that would allow pre-qualified vendors to apply for multi-year contracts in specific service areas, identified by the Working Lands Enterprise Board. In October 2017, Vermont Agency of Agriculture, Food & Markets (VAAFAM) staff released an application for Pre-qualification of an SP. This allowed VAAFAM and WLEB to ensure a consistent level of quality and provided a mechanism for proper partnership and oversight in relation to SPs delivering fundamental



WORKING LANDS ENTERPRISE INITIATIVE
www.vermontworkinglands.com

116 State Street
Montpelier, VT 05620
[phone] 802-622-4477
[email] agr.workinglands@vermont.gov
[website] www.vermontworkinglands.com

Agency of Agriculture, Food & Markets
Department of Forests, Parks & Recreation
Agency of Commerce & Community Development

assistance to Working Lands businesses throughout the state. A pre-qualified SP is one who has been determined to be generally qualified to perform a type of work that is routinely put out to bid.

Results of the pre-qualified application process were that seven SP's were invited to participate as Pre-Qualified Vendors, for a range of projects including Business Assistance and Capital Readiness, Wholesale Readiness, and Scaling Up, Intergenerational Transfer, and Land Access. Those organizations are the Intervale Center, NOFA VT, UVM Extension, VHCB, Vermont Sustainable Jobs Fund, Northern Forest Center and the Vermont Wood Works Council. All seven were granted pre-qualification status.

In early 2018, a Request For Proposals was released for pre-qualified vendors to apply for available SP funds. SP topic areas for FY18 proposals were as follows: 1) business assistance and capital readiness and, 2) succession planning (referred to as Intergenerational Transfer and Land Access in the pre-qualification stage). NOFA-VT, the Intervale Center and UVM Extension decided not to apply, as they are part of a network of service providers that is managed/coordinated and supported by VHCB's Viability Program. Thus VHCB, in essence, applied for funds on behalf of these other (3) organizations under one proposal.

The outcomes of this Pilot Program were the funding of (3) contracts to Northern Forest Center, Vermont Sustainable Jobs Fund, and VHCB. In mid- September of 2018, VAAFM staff communicated to the pre-qualified Service Providers that the WLEB had agreed to spend the early months of 2019 taking a deep look at the Service Provider Pilot contract process and topic areas. The Board has several options to consider regarding the next round of funding and needed time to make informed decisions.

At that time, all pre-qualified service providers who did not receive a contract in FY18 were eligible - and encouraged - to apply for the round of FY19 \$20,000 grants (applications were due on September 27, 2019). The WLEB funded just under \$80,000 for these FY19 SP Grants. Grants went to three pre-qualified SPs - the Intervale for coaching new and beginning farmers, UVM extension for identifying opportunities for integrating all aspects of the forest value chain online; including education, and VWWC for continued efforts towards strengthening Vermont's wood manufacturing industry. The fourth grant was awarded to the Center for Women & Enterprise, looking to support its Business and Financial Planning for women owned businesses in Vermont, with a specific focus in Northeast Kingdom and Southern Vermont demographics, to build successful businesses, increase financial resources, create jobs, and drive economic growth. WLEB also decided not to fund any additional contracts or renew existing contracts this fiscal year (FY19) except for the second year of VHCB's two-year contract.



WORKING LANDS ENTERPRISE INITIATIVE
www.vermontworkinglands.com

116 State Street
Montpelier, VT 05620
[phone] 802-622-4477
[email] agr.workinglands@vermont.gov
[website] www.vermontworkinglands.com

Agency of Agriculture, Food & Markets
Department of Forests, Parks & Recreation
Agency of Commerce & Community Development

How much has the WLEB funded to date in the Service Provider category?							
Year	SP Request Range (RFA)	SP Grant Award Range	Total Funds Granted (SP)	Total Funds Granted (All)	SP % of Total Granted	Biz % of Total Granted	Add'l Investments (%)
FY13	\$10,000-\$100,000	\$20,000-\$100,000	\$369,802	\$986,500	38%	62%	0%
WLEB funded the expansion of the VT Farm Viability Program's Business Assistance to Agricultural Infrastructure and Forestry Sectors in recognition of its effectiveness in capital readiness among farms and food businesses, and a perceived gap in 1:1 business assistance in the forest and wood products sector.							
FY14	\$10,000-\$150,000	\$20,000-\$118,000	\$406,276	\$1,259,331	32%	60%	8%
The Board set aside \$100K for a Forest Industry Systems Analysis, to inform funding decisions. WLEB developed an Organizational Plan to frame & guide its work. The Board was not comfortable setting aside funds for sustained development of the Forest Viability Program, rather opting to address it within the competitive grant round. VHCB was awarded a grant to support Viability Program business assistance specifically for Forest and Agricultural Infrastructure businesses.							
FY15	\$10,000-\$150,000	\$20,000-\$100,000	\$418,976	\$1,010,219	41%	59%	0%
First forest industry summit held, an outcome of the Forest Systems Analysis.							
FY16	\$15,000-\$75,000	\$20,000-\$75,000	\$274,720	\$633,945	43%	53%	4%
Loan Pilots were initiated using private funds that complemented WLEB's VT General Fund appropriation, and leveraged the capital of implementing financial services partners. (Figures on left reflect public dollars.) Beginning this year, \$25K-\$30K allocated to Trade Show Assistance Grants annually.							
FY17	\$15,000-\$75,000	\$20,000-\$75,000	\$279,046	\$712,951	39%	57%	4%
FY18	\$5,000-\$20,000	\$9,900-\$20,000	\$104,451	\$833,603	43%	44%	14%
Service Provider Pilot launched, resulting in 7 Pre-qualified Vendors and 3 contracts. RFP & Grant Range reflects <\$20K Grant category only, which totaled \$104,451. Totals & % columns include Contract totals. \$250K allocated for Contracts. Additional investments included \$64,589 allocated to SPROUT (Deferred Payment Loan Program); \$20,000 allocated to Northern Tier Dairy Summit							
FY19	\$5,000-\$20,000	\$19,943-\$20,000	\$79,908	823,118	19%	77%	4%
Year 2 of \$160K Service Provider contract with VHCB adds \$80K to the Total SP allocation, as reflected in Totals & % columns.							

What is WLEB's current Service Provider grant program?

The WLEB's Service Provider Investment Strategy is found in its entirety in Appendix A, of the WLEB Organizational Plan (last edited in 2017), outlining additional details of a two-pronged approach; one for funding partners who are meeting critical, long-term system needs (service provider contracts), and another for regional groups or pilot programs (service provider grants):

1. Work with service providers and industry representatives to identify fundamental "service segments" that we have funded in the past and that we will know will continue to be priorities for WLEB funding.
2. Create a smaller funding pool (maximum grants size of \$20,000) for regional groups, research and development, or pilot programs.

How will WLEB fund the Service Provider Category, going forward?

An important hallmark of the WLEI is that the WLEB or Board takes seriously its commitment to continuous process improvement and adapting its grant programs to meet evolving market needs.

A panel of lenders and funders was convened for the February 2018 WLEB meeting and their individual experiences exposed a consistent trend: many working lands business owners in Vermont have more work to do to be considered financially well-versed. There are many opportunities to be profitable in these businesses, but a business owner must understand where opportunities are in order to capitalize on them. Consolidation, lowest cost and mass production are drivers in the global economy and Vermont's working lands rarely offer opportunities to compete purely on economies of scale. Diversification into value added products, niche and emerging markets or standard commodity production must be profitable to create stability, consistency and the ability to reinvest in a given operation. Coined with this trend, many working lands business owners were reaching out to Agency of Agriculture staff seeking help understanding the finances of their operations. During farm visits, grantee check ins, or general engagement with businesses, Agency of Agriculture staff noted a common trend from grantees asking basic operational questions.

At the WLEB's 2018 Board Symposium (annual retreat), the question of whether additional and/or 'higher' level business assistance was needed, especially for those businesses in a more mature stage of development. The Board expressed interest in learning more about the full continuum of business assistance offered to farm, food, and forest-related businesses over the course of a business life cycle. In particular, a number of Board members expressed interest in exploring the concept of Executive Business Skills (EBS) and how business owners could receive more training in developing these skills for themselves. A Committee was formed with the goal of having recommendations to report back to the full Board at a spring meeting in 2019.



WORKING LANDS ENTERPRISE INITIATIVE
www.vermontworkinglands.com

116 State Street
Montpelier, VT 05620
[phone] 802-622-4477
[email] agr.workinglands@vermont.gov
[website] www.vermontworkinglands.com

Agency of Agriculture, Food & Markets
Department of Forests, Parks & Recreation
Agency of Commerce & Community Development

The EBS Committee is currently exploring how to improve promotion and coordination across the continuum of SP organizations. A survey to SP organizations is currently underway to do the following:

- gather information about best practices within the suite of services being offered,
- learn about what kinds of ongoing professional development is desired and needed among service providers, and;
- gather a comprehensive list of what SPs consider to be executive business skills.

Having a better understanding of what might resonate with, or prompt, a working lands business owner to engage with an SP (outside traditional or conventional marketing methods) to address issues or concerns regarding the administration and economic sustainability of their enterprise, is also an area the EBS committee would like to explore. The EBS committee will review results after data is compiled and make recommendations back to the full Board.

In parallel, the ad hoc Service Provider Strategy Committee (SPS) is specifically addressing the operational aspects of grant making in FY20. Because the topic of financial acumen for businesses is directly impacted by assistance/service providers around the state, the EBS and SPS committees need to collaborate on approaches that will help the WLEB decide on how to actively improve (relational and technical), the funding mechanism for Service Provider organizations, to attain optimal impact of the Working Lands Enterprise Fund. This committee might also consider conducting an overall evaluation of results from the past six years of funding service provider organizations to work directly with WL businesses, using the Results Based Accountability (RBA) framework. Some of this is illustrated in the WLEB's organizational plan, primarily Appendix A.