GBIC
Good Jobs In A Clean Environment

The Vermont Employment Growth Incentive (VEGI)

The Vermont Employment Growth Incentive (VEGI) program is the state's primary tool to retain and recruit businesses considering potential expansions in Vermont. Through the program, the state shares a fraction of the new tax revenues it collects from a business's expansion project with the business. No business receives these funds unless it meets benchmarks presented in its application for the incentive, and the state always makes money on the VEGI program.

Important VEGI Statistics (2007-2020)	
Capital investments resulting from VEGI incentives	$1.05 billion
New qualifying payroll created	$514 million
Total amount of money earned through program	$33.8 million
Average annual salary of jobs created	$58,350
Total jobs created	8,812
Number of participating employers (2007-2021)	48

- The average US economic incentive award cost its state **$23,761** per new job.
- The VEGI program provides incentives at an average of **$3,836** per new job.
- The Tax Department released $2,525,464 in incentives to participating companies for 2020 claims. This money would not have come into the state without VEGI, but even if it were an appropriation, it would represent just **0.1%** of general fund spending and **0.03%** of the total budget.
- **$1** in state incentives, on average, results in **$46.41** in mobilized new private capital and payroll investments.
- Participation in the program is authorized by VEPC. However, the claims are administered by the Tax Department, and VEGI is the only program they oversee that receives a 100% audit every year.
- VEGI awards are only distributed to employers *after* they meet and maintain their growth targets for employment, payroll and capital investments: The announcement of a new VEGI authorization by VEPC means the work has just begun. Incentives are only paid when employment and capital investments have been made and verified by the VT Tax Department.
- Incentives are not an expense to other taxpayers in the state: Incentives represent a portion of the tax revenue generated to the state by the authorized employer who adds new jobs and new payroll and makes new capital investments.
- Even when accounting for the incentives provided to an employer, the state nets new tax dollars from the employer.

GBIC – The Greater Burlington Industrial Corporation
Frank Cioffi, President – 60 Main Street Burlington, Vermont 05401
802-862-5726 ext. 12 – www.gbicvt.org – frank@vermont.org

<u>Vermont Needs Economic Incentives *Regardless* of the Unemployment Rate</u>

- **Global markets are extremely volatile.** There have been over 200,000 layoffs by high-tech employers in 2022 and 2023; inflation is high; energy costs are rising; there is a war in Ukraine; supply chains are still constricted; and there is a labor shortage. **We are either in, or soon to be in, a recession.**
- **To remain competitive in a high-cost, labor-challenged environment, key employers must make significant capital investments** in equipment, machinery, systems, and technology to operate more efficiently.
- **Employers will only make investments in states that assist them with these costs through economic incentives, tax credits, tax rebates, etc.**
- These employers are making significant investments in workforce education, training, and development. **Vermont must provide financial and programmatic assistance to these employers or risk significant outsourcing of jobs** to other states that provide this assistance and prioritize the well-being of their economies and working people.
- **VEGI cannot worsen the labor shortage**. The sectors most challenged for workers are wholesale and retail, whereas VEGI benefits high-paying, benefit-providing employers. If anything, VEGI helps drive wages up, potentially bringing Vermonters back into the workforce.
- **Tax revenues from the VEGI program help fund social services we desperately need in times of economic distress.** Almost 54% of Vermont's high school graduates don't receive a higher degree within six years of graduation, and only a portion of those graduates have received any career technical education. This means that there are thousands of young Vermonters who are unprepared to enter the workforce and will likely have to rely on social services. **We need the tax revenues generated through the VEGI program to help support these individuals.**

Op-Ed by Frank Cioffi, GBIC, & Cathy Davis, LCRCC

There is No Such Thing as a Failed VEGI Application

Across the US, states compete for employers and employees with large tax subsidies, holidays, and incentives. Vermont's lone program is the Vermont Employment Growth Incentive (VEGI) program, which has some defining features that set it apart from other states' programs.

VEGI provides cash incentives to employers that create new Vermont-based, high-paying jobs. In order to earn these incentives, an employer must meet performance targets that they create in collaboration with the Vermont Economic Progress Council (VEPC), a board composed of appointees of the Governor and General Assembly as well as nonvoting representatives from regional economic development corporations and regional planning commissions.

State dollars are safeguarded in several ways. First, the program gives as an incentive to the business only a portion of the taxes that the business generates in the state, so the state is, no matter what, in a better place than it would have been but for this activity. If you're looking at a VEGI award and thinking that it's a lot of money, then you are witnessing just a portion of how much tax revenue the VEGI recipient is putting into the Vermont economy. The state always makes money on this program.

Second, the incentives are only awarded to the applicant if they meet the predetermined goals approved by VEPC, so if the employer doesn't meet their end of the deal, they don't get an award; it's really that simple.

It's for these reasons that we get to the title of this commentary, *there is no such thing as a failed VEGI application.* An applicant who gets approved for an award only to later not qualify is, by all definitions and the parameters of the program, a success. They did not meet their agreement, and they subsequently will not receive any award. If they do meet their targets, they receive an incentive; meanwhile, Vermont is enjoying the benefits of new jobs, investment, and tax revenue.

As our sole economic incentive program, VEGI is an essential tool for Vermont. Skeptics doubt this claim, pointing to our state's low unemployment rate as evidence that job creation is not needed at such a time. However, this neglects the fact that these awards

GBIC – The Greater Burlington Industrial Corporation
Frank Cioffi, President – 60 Main Street Burlington, Vermont 05401
802-862-5726 ext. 12 – www.gbicvt.org – frank@vermont.org

help Vermont businesses attract new workers from outside the state at a time when we have a workforce gap of over 20,000 people. Additionally, VEGI awards help foster “anchor employers,” larger employers with diverse roles and pathways that can provide stable jobs for a worker’s entire lifetime. Finally, the capital investments that accompany a VEGI award can help protect existing jobs and encourage better use of employees’ skills.

Innovation is a good thing and we should always be considering ways to make VEGI better. For example, the Department of Taxes is currently restricted by law from sharing certain information with the public. While some opaqueness is essential to prevent competitors of the businesses receiving awards from weaponizing proprietary information to their competitive advantage, some of the restrictions can also make the program appear less transparent than it could be; in fact, frequently, these restrictions actually prevent the stories of the program working as it should from being told.

Like in many other cases, Vermont, with the VEGI program, has innovated and right-sized an economic incentive program that excels at creating economic opportunity and expends our resources judiciously.

GBIC – The Greater Burlington Industrial Corporation
Frank Cioffi, President – 60 Main Street Burlington, Vermont 05401
802-862-5726 ext. 12 – www.gbicvt.org – frank@vermont.org