

House Committee on Commerce and Economic Development
February 15, 2023
Fred Kenney
Executive Director, Addison County Economic Development Corporation
and
President, RDCs of Vermont
H. 10 and VEGI Program

RDCs support changes to the program that SIMPLIFY, PROVIDE MORE TRANSPARENCY, AND MAKE THE PROGRAM MORE ACCESSIBLE:

- The Administration proposal **simplifies** the program:
 - By basing the incentive on a simple calculation of \$5,000 or \$7,500 (for LMA eligible regions) per job and percentage of capex or \$1M , whichever is less
 - Makes the incentive much easier for RDCs and the State to market
 - Easier for potential applicants to understand
 - Easier for Tax to administer
 - The proposal to eliminate the CB model is not about an inability to understanding the model, it's about making the program and application simpler to understand and administer
 - As I mentioned last week, almost all of the complication and difficulty of the VEGI application is due to statutory requirements, primarily the information and data required to conduct the cost/benefit model
 - If you don't model a project, that does not necessarily mean the revenue benefit to the state does not still occur
 - Authorized companies still have to maintain base payroll, create new, well-paying jobs, and make the capital investments before incentives are earned and paid out over 3 years
 - Tax will still verify the activity
 - The state is still getting incremental tax revenues from that economic activity that it would not have or there is more than there would have been – because of the But For
 - Having shorter earning and payout periods makes the program more attractive – making Vermont more attractive for growth and investment
 - Reduces workload at Tax to check claims
- Proposal adds **transparency**
 - We all agree that we need to protect proprietary business information while giving the Legislature the data and information you need to confirm that the program works as designed
 - The Administration proposal includes additional reporting that details claims, jobs, and capex, **by company** – as the incentives are earned and tax verifies the claims.

- The RDCs support this change that reports on annual targets and incentives paid, after the fact.
- Proposal provides greater **access**
 - Simplification makes it easier to apply, expanding access for small businesses who don't have large staffs
 - Allows businesses to apply that are expanding through capital investments – investments that allow for modernization and innovation - making them more competitive and productive and that could add higher wage jobs later

LMA Calculation

- Contrary to Mr. Kavet's testimony, VEPC does not set formula for the LMA determination (which Labor Market Areas are eligible for a VEGI enhancement or, in the Administration proposal, a higher amount per job)
- VEPC does not just randomly decide which regions are eligible.
- The **legislature** set the criteria in [statute](#) and the **Vt Department of Labor** makes an annual determination on which regions meet the criteria.
- Although locating a project in an LMA eligible region makes a project **statutorily eligible** for the enhancement, VEPC examines a substantial amount of additional information from the applicant to determine what level of additional incentive should be awarded.
- For more information, click [here](#).

Kavet and Hoffer Perspective

- Very much respect Mr. Kavet as an economist
- However, he and Mr. Hoffer come to this discussion with an obvious philosophical disapproval of business incentives, or any assistance for businesses for any reason.
- This is evident in the way they talk about the program (give-away, free corporate money, grant, etc.) and a comment to "just eliminate the program."
- RDC support for the program is based on the work we do every day on the ground, which supports the continued need for economic development and business expansion and recruitment tools.
- We start at a point of support for the VEGI program but agree there can be improvements, and we want to work with the Committee on solutions, rather than just "throwing out the baby with the bathwater."

Spend the \$ on Other Types of Economic Development

- The idea that the money "spent" on VEGI can support other economic development efforts is spurious.
- The revenue paid back to VEGI recipients **is generated by the economic activity of the recipients. Their projects make the revenue pie bigger**
- **If they don't do the activity there is no incremental revenue**
- So, there is no money to spend on other programs
- RDCs agree there are other/better ways to "do" economic development.
- But until those alternatives are developed and implemented, we need to keep the few tools we have in place.

Technical Assistance for Small Businesses

- Appreciate Mr. Hoffer's support of technical assistance for small business
- Its great to know that he would support the RDC proposal to continue the very successful ReVTA and CNPP programs run by the RDCs to provide technical assistance to over 800 Vermont small businesses
- We hope the Committee will support it as well

RDC Coaching

- On several occasions, Mr. Kavet spoke about similar But for "letters" from applicants.
- This is one example of how Mr. Kavet tends to overlay the problems with the previous EATI program onto the VEGI program.
- A lot of people, including VEPC staff and Board, work very hard to eliminate those issues when the VEGI program was designed.
- It is disingenuous for Mr. Hoffer and Mr. Kavet to insinuate that the current program and procedures continue those practices.
- Yes, RDCs assist VEGI applicants. That is part of our job.
- But the application system purposefully limits what RDCs can do with the application. RDCs cannot enter and save information or data.
- Only the 2 applicant officers can do that.

Transparency of Board

- The concept that the current VEPC Board are not doing their due diligence and protecting the taxpayer is very odd and, frankly, insulting to these citizen volunteers.
- Why would two more citizens appointed by the legislature be any different from the current appointees?
- Also note (because it was brought up) that [statute](#) already includes a description of the skills and experience of potential VEPC Board members:
 - *"nine residents of the state...who are knowledgeable and experienced in the subjects of community development and planning, education funding requirements, economic development, State fiscal affairs, property taxation, or entrepreneurial ventures and represent diverse geographical areas of the State and municipalities of various sizes..."*

Executive Session:

- 1 VSA Sec 313(a)(6) allows a public body to go into ES to discuss records that are exempt from public disclosure under 1 VSA Sec 317(c). The reason for ES is that the business plan detailed in a VEGI application is included in 1 VSA Sec 317 (9):
- (9) Trade secrets, meaning confidential business records or information, including any formulae, plan, pattern, process, tool, mechanism, compound, procedure, production data, or compilation of information that is not patented, which a commercial concern makes efforts that are reasonable under the circumstances to keep secret, and which gives its user or owner an opportunity to obtain business advantage over competitors who do not know it or use it, except that the disclosures required by 18 V.S.A. § 4632 are not exempt under this subdivision.

- Recommend against changing public meeting laws or public disclosure laws as proposed by H10. Instead, make the application information and executive session proceedings available to the agent of the JFO and auditor. But prohibit disclosure to the public.
- From earlier - Point out that statute does currently include skills, knowledge, and experience (page 2 line 7)

RDC Facility:

- Application makes clear where the project would occur and where investments would be made – even if in an RDC-owned facility or land – of which there are very few
 - There is no conflict of interest because the RDC Directors don't vote on the incentives – they provide advocacy for their regions and businesses

Steer Applicants to Other Programs:

- RDCs refer clients to all available resources.
- CRRP and CIP **are temporary.**
- Both have/had **very, very limited eligibility windows** for private sector businesses
- VEGI, we hope, remains a permanent, ongoing incentive program
- VEDA is a **loan** program
- Incentives and financing are very different, but complementary
- VEGI offers an incentive to stay and grow in, or come to VT;
- As you heard for some of the companies that testified, if awarded incentive, decision is made to proceed, then company builds a financing stack - that might include VEDA - to finance the project.
- VEGI is not financing Capex, State is offering an incentive to get a business to make capital investments in VT. Remember, the incentive is shared with the business only **after** investment that is made and paid for by the applicant - typically through financing

RDCs are an “Extension of the State”

- This is semantics and perspective
- I have said RDCs are the “eyes & ears, hands and feet of the ACCD in the regions”
- But we are independent entities. I can send you our Bylaws – no mention of the State of ACCD
- We are regional partners with the State. We work with ANR, DoL, BGS, etc., but primarily with ACCD and our relationship is through an annual performance grant

Use of company vs industry background growth

- Been down this road many times
- Economists – Carr and Kavet- concluded the current method works best
- Calculating company's BG growth would require much more historic data in application
- Trying to simplify program, not make it more complicated
- Vermont-based companies (except start-ups) would be disadvantaged because they would always have BG growth vs new business to Vermont

