

ACCD POLICY PRIORITIES - 2024 Legislative Session

VEGI Enhancements, Sunset Elimination & Forgivable Loan Program Creation for Small Businesses



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- **WHAT:** The elimination of sunset on the VEGI program, a reduction in the length of the program earning period, and the creation of a new program that would allow businesses with 50 or fewer employees to apply for a VEDA forgivable loan.
 - **HOW:** The Agency is recommending the removal of the VEGI sunset in statute, as well as shortening the program payout period as an incentive for more businesses to apply and to put the funds to work faster- which would enable capital investment or growth in payroll or employment. In an effort to address the growing needs of small businesses in the state, who might not apply to VEGI because it is not enabling them to use the funds upfront, the Agency is recommending a new partnership and program with VEDA that would allow businesses with 50 or fewer employees to apply for a forgivable loan.

The forgivable loan program, in partnership with VEDA, would allow businesses to receive a forgivable loan in the amount of \$5,000 per qualifying job (potential cap of \$200k), OR 20% of the business' capital improvement and investment amount, to a cap of \$1,000,000.

WHY: During the 2023 Legislative Session the legislature extended the sunset on the VEGI program through January 1, 2025. This means that the Vermont Economic Progress Council will no longer have the authority to accept or review applications for the VEGI program after this date, unless it is changed. The last two years of extensions were in response to an error that was found, where the VEGI program was supposed to sunset at the beginning of 2021. **The Agency is recommending the elimination of the sunset so the program can continue on, as the State's only business incentive program to target businesses in export driven sectors that pay on average higher wages, without interruption.**

A shortened program provides funding to businesses at a more rapid pace, allowing for greater probability that the business will execute their growth plans more rapidly, while still protecting the State's interests should the business not meet the growth in capital investment or employment levels.

VEGI is the State's only incentive program and is successful for those businesses who have the capacity to participate. What the Agency is responding to with the creation of a new forgivable loan program, are the needs of small businesses in the state that need funds to expand and grow more rapidly.

Summary of Changes

- Creates Forgivable Loan Tract within VEGI/VEPC for businesses with 50 or fewer employees.
 - Added to current VEGI language, forgivable loan program created in partnership with VEDA will provide incentive to businesses to continue to invest in Vermont.
 - Intended to be an upfront incentive via a VEDA forgivable loan if their employment or fixed asset investment increases, as verified by Tax Dept and VEDA. . If targets are met after 3 years, the loan is forgiven.
 - VEPC will vet and review applications that have opted in to the VEDA Forgivable loan program, VEDA will underwrite and administer the loan if the applicant meets both VEPC and VEDA guidelines.
 - Tax Dept. verifies employment and payroll targets as it does for current VEGI tract.
 - VEDA verifies the Capital Investment thresholds met,
 - Loan amounts will equal 5k per employee (max \$200k), or 20% of CapX or \$1M

- Shortens the term to 3 years instead of 5.
- Removes the sunset of the VEGI program