

What is Forgivable Loan Incentive (S.247)?

- Partnership between VEPC and the Vermont Economic Development Authority (VEDA)
- Helps Vermont-based small businesses create jobs, make capital improvements, or both
- Only companies with fewer than 50 employees are eligible

What is VEDA?

- Legislature created Vermont Economic Development Authority (VEDA) in 1974
- Vermont's statewide economic development finance lender providing broad array of programs to eligible businesses that create jobs and advance public policy goals
- Provided \$2.5B in financing in last 50 years

Why is Forgivable Loan Incentive (S.247) needed?

- Second tool to incentivize business expansion and job creation
- Designed exclusively for small businesses
- Forgivable loans give funds up-front without risking state money

Why is Forgivable Loan Incentive (S.247) needed?

- Up-front funding by VEDA increases probability a business will execute growth plans rapidly while protecting state interests if the business doesn't meet targets
- Research by Guidehouse finds best practices in programs that increase per capita income include up-front cash incentives

Best Practices for Incentive Programs

According to Guidehouse

Target Firms with High Multipliers

By focusing on businesses that provide multiplier effects, States can increase the number of jobs created through the incentive. For example, businesses who purchase from local suppliers effectively increase demand and jobs at these vendors, maximizing job creation.

Target Firms that Pay a High Wage Premium

Although the creation of jobs is the central focus of incentive programs, it is also important to consider the types of jobs being created. States can maximize year-over-year wage growth by using incentives to target higher-quality, high-wage jobs.

Provide Up-Front Incentives

Up-front cash incentives are more impactful on business location decisions, as decision makers tend to focus on shorter-term benefits.

Avoid Cutting Other Expenditures to Finance Incentives

If governments finance incentives by reducing public spending on items like education or training, the negative economic impacts may outweigh the benefits of the incentives.

Align Incentives with Program Goals

The most effective incentives are those that address the ultimate goals of the program. For example, these goals may include slowing population loss, increasing median wages, reducing unemployment, etc. It is important to ensure that incentives are designed to catalyze the program's objectives that are unique to the region. To accomplish this, state agencies must first identify the most pressing economic and community needs and design incentives to help fill these gaps.

How would Forgivable Loan Incentive (S.247) work?

1. Company applies to VEPC
2. If VEPC determines company is eligible, VEDA takes it into consideration
3. VEDA determines amount of loan

How would Forgivable Loan Incentive (S.247) work?

4. Application and proposed loan amount are brought to VEPC Board
5. If VEPC Board approves, VEDA issues loan
6. Company pays interest to VEDA

Maximum Forgivable Loan Amount

Funds provided up from by VEDA



\$1M

In New Payroll
(\$5,000 per new
employee, up to
200 hires)



\$200,000

Capital Expenditures
(20% of project
worth up to
\$1,000,000)



\$1.2M

Maximum Loan
Amount

How does loan get forgiven?

1. Business pays interest to VEDA for up to 5 years
2. If loan is for job creation, Vt. Tax Dept. verifies employee and payroll targets are met
3. If loan is for capital investment, VEDA verifies investments were made

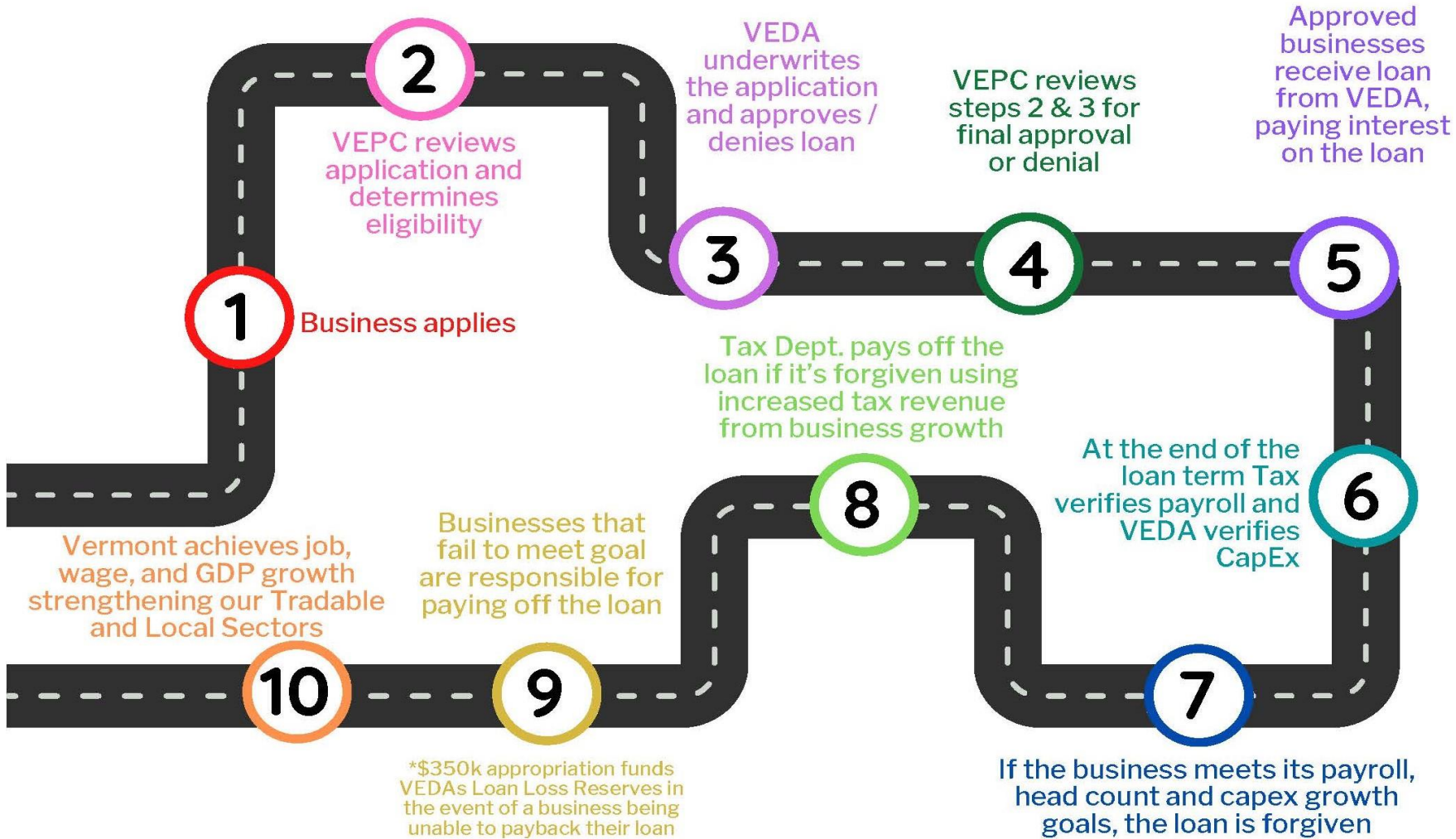
How does loan get forgiven?

4. If targets are met and VEDA and Vt. Tax Dept. sign off, Vt. Tax Dept. pays VEDA for the principal of loan and it is forgiven.
5. Tax Dept. pays VEDA using forgone revenues collected from net new payroll created by this program.

Why would a loan not be forgiven?

- If the company does not meet its target, loan is converted to a conventional loan between VEDA and the company

VEGI FORGIVABLE LOAN PROGRAM



Want more information?

PLEASE REACH OUT TO ME

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Understanding
VEGI
and the
Forgivable Loan Incentive
(S.247)



DEPARTMENT OF ECONOMIC DEVELOPMENT