Vermont Legislative Joint Fiscal Office

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FISCAL NOTE

Date: March 14, 2014

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S.220 – AN ACT RELATING TO AMENDING THE WORKERS' COMPENSATION LAW, ESTABLISHING A REGISTRY OF SOLE CONTRACTORS, INCREASING THE FUNDS AVAILABLE TO THE DEPARTMENT OF TOURISM AND MARKETING FOR ADVERTISING, AND REGULATING LEGACY INSURANCE TRANSFERS

(This analysis reflects the bill as passed by the Senate Committee on Economic Development, Housing and General Affairs)

Bill Summary: The bill proposes to expand opportunities for economic development in Vermont.

Fiscal Impacts:

Summary of Fiscal Impacts

Provisions	***FY15 Impact***
-Entrepreneurial Lending Tax Credits[1]	(180,000)
-Domestic Export Program - Appropriation	(75,000)
-Sales Tax on Pre-Written Software (65% GF and 35% EF)	(2,600,000)
-Assistance for Industrial Parks (estimate for Chittenden County only)[2]	(8,000,000)
-Master Plan Review (Act 250 Permit Fund)	(2,000)
General Fund	(9,945,000)
Education Fund	(910,000)
Act 250 Permit Fund	(2,000)
Total	(10,857,000)

Section-by-Section

Sec. 1 – One-Stop Shop Web Portal

FY15 Cost: ACCD estimates that it can perform this work with its current resources. The Attorney General's office has expressed concern about what would be required from them and whether they could meet the requirement with their current resources.

The bill acknowledges the work of the Business Portal Committee that is ongoing and proposes to add the Agency of Commerce and Community Development and the Attorney General's office to the list of participating government agencies. The Committee would be required to report back to the Senate Committee of Economic Development, Housing and General Affairs and the House Committee on Commerce and Economic Development no later than January 15, 2015.

[1] Cost of tax credit expenditure is estimated to increase in FY16 and FY17 as subscription increases and carry-forward credits are accrued.

[2] Cost estimate was provided by ACCD and is for Chittenden County only. Costs would potentially be much higher when estimated for the entire State. The estimate was made based on annual construction of industrial space in Chittenden County along with assumptions regarding site planning and acquisition costs. No estimate was made for infrastructure improvement costs. As the bill does not contain a dedicated funding source, it is assumed that there would be a GF expense in order to meet the increased budgetary requirement for ACCD.

Sec. 2-3 – Vermont Entrepreneurial Lending Program
FY15 Cost: Impact only to VEDA.

The bill proposes to establish an entrepreneurial lending program to be administered by the Vermont Economic Development Authority (VEDA). The program would be aimed at securing capital for start-up, early stage, and growth-stage businesses with innovative products, whose capital needs exceed current financing capacity, or whose primary assets are nontangible and difficult to collateralize. VEDA would establish a loan loss reserve using up to $1,000,000 of its own funds in order to secure reasonable interest rates for borrowers.

Sec. 4 – Vermont Entrepreneurial Investment Tax Credits
FY15 Cost: Approximately $180,000 GF (July 1, 2014 effective date and an initial subscription of 14 taxpayers in the final half of calendar year 2014).
FY16 Cost: Approximately $460,000 GF (increase of subscriptions to 35 taxpayers).
FY17 Cost: Approximately $650,000 GF (final subscription of 50 taxpayers).

The bill proposes to create a tax credit against income tax for the direct investment in Vermont-domiciled businesses with revenues less than $3,000,000. The credit would be equal to 35% of the total investment but only 25% of the credit would be allowed to be taken in a single tax year and it could not reduce the tax due by more than 50%. The credit could be carried forward up to 5 years and the total value of credits would not exceed $6,000,000 over the life of the program.

Sec. 5 – Energy Rates for Manufacturers
FY15 Cost: Staff time of the Public Service Department and the Public Service Board

The bill proposes to require the Commissioner of Public Service, in consultation with the Public Service Board (PSB) and the Secretary of Commerce and Community Development, to conduct a study on how to achieve energy costs for “energy-intensive businesses” that are competitive with other locations. As part of the study, the Commissioner would look at the impact of energy costs on business competitiveness, administration of the energy efficiency charge, evaluations of the Energy Savings Account and Customer Credit programs, retail choice program evaluations, as well as how any potential new programs and policies might impose cost shifts onto other customers. The Commissioner would be required to provide opportunities for public input during the study process and would be required to submit a status report to the General Assembly no later than December 15, 2014 and a final report no later than December 15, 2015.

Sec. 6 – Domestic Export Program
FY15 Cost: $75,000 appropriation from the GF to the Agency of Agriculture, Food and Markets.

The bill proposes that a Domestic Export Program Pilot Project be created to market Vermont products within the region and the country. One feature of the proposed program would be to provide matching grants of up to $2,000 per business, per year for businesses to attend annual trade shows and other events in order to expand their market presence.

Sec. 7 – Cloud Tax
FY15 Cost: Approximately $2.6 million loss of revenue to the State, of which, 65% of the loss would be from the GF and the remaining 35% would be from the Ed. Fund. Because the market for this type of software is constantly changing there would be challenges for the Tax Department to be able to maintain up-to-date guidelines.

The bill proposes to exclude charges for “remotely-accessed” software from the imposition of sales and use tax. Charges for remotely-accessed software would stem from the access and use of prewritten software run on underlying infrastructure that is not managed or controlled by the consumer. Excluded charges would not include those for remotely-accessed software that is also commercially available in a tangible form.

Sec. 8-10 – Computer Crimes and Trade Secrets
FY15 Cost: There could be some additional State costs and revenues if the number of prosecutions of computer crimes increases.

The bill proposes to increase the fines for computer crimes, increase the statute of limitations for prosecuting a misappropriation of trade secrets, and to amend the language of 9 VSA Ch. 143 regarding the protection of trade secrets to allow courts to award successful complainants the costs and fees arising from misappropriation of the complainant's trade secret.

Sec. 11 – State Contracting
FY15 Cost: Staff Time of Buildings and General Services (BGS) and the Agency of Administration to draft language.

The bill proposes to add provisions to Administrative Bulletin 3.5 for State procurement contracts that would allow contractors to use intellectual property that they have developed for the State for additional commercial purposes provided the State retains all rights to the property and the contractor has paid any necessary royalties, license fee or other payments to the State.

Sec. 12 – Lender Requirements Study
FY15 Cost: Staff time of the Department of Financial Regulation.

The bill proposes to require the Department of Financial Regulation (DFR) to report to the Legislature on statutory and regulatory changes to the State's licensed lender requirements that could be made to open private capital markets in Vermont and remove unnecessary barriers to business investment.

Sec. 13 – Tourism Funding Study
FY15 Cost: The study is ongoing; therefore no additional fiscal impact is estimated.

The bill proposes to require the Secretary of Commerce and Community Development to report to the Legislature any findings and recommendations based on the results of the performance-based funding pilot project for the Department of Tourism and Marketing.

Sec. 14 – Assistance for Industrial Parks from VEDA
FY15 Cost: Impact only to VEDA.

The bill proposes to add statutory provisions regarding industrial parks that would increase access to loans and assistance from the Vermont Economic Development Authority (VEDA).

Sec. 15 – Assistance for Industrial Parks from DHCD
FY15 Cost: The Department of Housing and Community Development (DHCD) estimates that in Chittenden County alone the costs could be approximately $8 million in FY15 for site planning and acquisition assistance. More data and analysis would be needed to determine the potential cost for applying this provision to the entire State. The costs could potentially be much greater due to a lack of clarity in the bill language as to what expenses for site planning, site acquisition and infrastructure improvements would be eligible for assistance.

The bill proposes to add statutory provisions regarding industrial parks that would provide new access to funds from DHCD for site planning, site acquisition and infrastructure development, at up to 25% of the total costs for those activities through grants, loans, or other mechanisms.

Sec. 16 – Definition of Industrial Park
FY15 Cost: No impact to the State.

The bill would add a definition for 'industrial parks' to Ch. 151 of Title 10 for the purposes of State land use and development planning.

Sec. 17 – Review of Master Plan Policy
FY15 Cost: The NRB estimates that it would cost approximately $2,000 to perform a review of its master plan. They do not anticipate any additional costs associated with the easing of requirements for mitigating the loss of primary agricultural soils.

The bill language proposes for the Natural Resources Board (NRB) to be required to review its master plan policy and add provisions for industrial park permitting. Additionally, the bill would ease requirements for industrial parks expansion as they relate to the mitigation for loss of primary agricultural soils.

Sec. 19 – Affordable Housing
FY15 Cost: The Board believes that these provisions would have long-term impacts on its Act 250 fee revenues that could presently be absorbed, but there could be larger impacts from year-to-year depending on the timing of large development projects that would be exempt from Act 250 under the proposed bill.

The bill would seek to encourage growth within centers designated under 24 V.S.A. chapter 76A, by reorganizing statutory provisions regarding "development" under a new definition titled "priority housing projects," which would include projects that meet the criteria necessary to be exempt from Act 250 jurisdiction. The maximum number of housing units a project may have in order to avoid Act 250 jurisdiction would be increased and the determination of jurisdiction would only take into consideration the number of housing units within a discrete project and not cumulative housing units from other projects. The Natural Resources Board states that there currently a limited number (approximately five over a two year period) in designated centers of Vermont on an annual basis that are large enough to trigger Act 250 jurisdiction. The bill also proposes to amend the definition of mixed income housing projects for the purposes of determining Act 250 jurisdiction by revising the ceiling for affordable rental housing from 60 to 80 percent of median income and by reducing the required duration of affordability from 30 to 20 years. This has been done to allow greater flexibility in the income mix of projects qualifying for an exemption from Act 250 and align the affordability requirements for "mixed income housing" to those of "affordable housing."

Sec. 20 – Investment of State Monies
FY15 Cost: Impact only to VEDA.

The bill proposes to make a language change to 2013 Session Laws (Act 87, Sec. 8) as follows:
The Treasurer is hereby authorized to establish a ~~short-term~~ credit facility for the benefit of the Vermont Economic Development Authority in an amount up to $10,000,000. Removing "short-term" would serve to clarify the intent of the original bill as VEDA makes 5-7 year loans and "short-term" implies a loan life of 1 year or less.

Sec. 21 – Licensed Lender Requirements
FY15 Cost: No impact to the State.

The bill proposes to add exemptions from the requirements to register with the Department of Financial Regulation for a lender license, mortgage broker license, sales finance company license or mortgage loan originator license. The exemption would cover those individuals who make no more than 3 mortgage loans in any consecutive 3-year period.

Sec. 22 – Workforce Education and Training
FY15 Cost: The position of Workforce Education and Training Leader is in the Department of Labor's current budget request for FY15.

The bill proposes to establish authority for a new position of Workforce Education and Training Leader to be created within the Department of Labor. The position would be charged with performing an inventory of all State and State-funded workforce education and training activities and ensure that all activities are integrated. The position would also design and implement a stakeholder engagement process and would ensure that workforce education and training program administrators report back individual outcomes.

Sec. 23 – Internship Opportunities for Young Persons
FY15 Cost: The Department of Labor estimates that the study can be performed with its current resources.

The bill proposes to require the Commissioner of Labor to report to the Legislature on internship opportunities for Vermonters between 15 and 18 years of age and how those opportunities might be expanded.

Sec. 24-25 – Vermont Strong Scholars
FY15 Cost: No estimated FY15 impact. ACCD will be working to identify potential funding sources in future years.

The bill proposes to establish the Vermont Strong Scholars program for the purpose of forgiving loans granted by Vermont Student Assistance Corporation (VSAC) to Vermont residents who have graduated with associate's and bachelor's degrees in certain fields of study. The Secretary of Commerce and Community Development would identify eligible post-secondary majors that are offered by certain Vermont institutions and that lead to jobs that are crucial to the Vermont economy. The Secretary of Administration would provide the General Assembly with the estimated annual cost of the program. Individuals would need to meet specific criteria in order to have loans forgiven under the program. A Vermont Strong Scholars Fund would be created consisting of sums to be identified by the Secretary of Commerce and Community Development for use in administering the program.