

**HOUSE COMMERCE AND ECONOMIC DEVELOPMENT
TUESDAY, FEBRUARY 11, 2015, 2:30 PM
FRED KENNEY, EXECUTIVE DIRECTOR,
VERMONT ECONOMIC PROGRESS COUNCIL**

WHAT IS THE VERMONT ECONOMIC PROGRESS COUNCIL?

- Independent body attached to Agency of Commerce and Community Development
- Eleven member board (voting) and two delegates from each region designated by RDC and RPC (advocacy and advisory)
- VEPC Board: Nine members appointed by Governor; one by Senate, one by House:
 - Stephan Morse, Windham County, Chair
 - Mary Lintermann, Lamoille County, Vice Chair
 - Christopher Bray, Addison County, Senate Appointee
 - Tim Briglin, Windsor County
 - John Davis, Chittenden County
 - Betsy Gentile, Windham County
 - Michael Keane, Bennington County
 - Warren Kitzmiller, Washington County, House Appointee
 - Emma Marvin, Lamoille County
 - Bryon Quartini, Caledonia County
 - Rachel Smith, Franklin County
- VEPC Staff:
 - Fred Kenney, Executive Director
 - Kim Woolaver, Grants Management Specialist
- Originally created for long-range economic planning.
- Now responsible for:
 - Vermont Employment Growth Incentive Program
 - Tax Increment Financing District Program
 - Windham County Economic Development Program

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MANDATED RESPONSIBILITIES:

Vermont Employment Growth Incentive program:

- State's business incentive program.
- Provides an inducement to Vermont companies to expand, to start-ups to choose Vermont, and to non-Vermont companies to relocate or expand into Vermont.
- Available to any size, type, sector business and for any level of growth.
- Must show new payroll growth and jobs must meet wage threshold.
- Incentives are based on incremental economic activity (new payroll, full-time headcount, and capital investments) that would not otherwise occur, which therefore generates tax revenue the state would not have otherwise realized. A portion of incremental revenue generated by the activity is paid back to the company as the incentive.
- **Authorize:** Council determines if company meets But For, Program Guidelines, and that the project will generate a net return for the state through cost-benefit analysis.
- **Earn:** Incentives are Performance-based. Incentives are only earned for each year if Performance Requirements are met 100% during the target year or within 24 months of the target year (12 months for Year 4). There is no partial payment for partial performance. Tax Department examines annual claims.
- **Paid Over Time:** For each annual incentive earned, incentive is paid out in five annual installments, if performance requirements are maintained.
- **Program Highlights:**
 - Total Applications: 86
 - Active Projects: 37
 - Net Incentives Authorized: \$32.5
 - Payout Period: 2008-2022 Average 2.1 million/Year
 - Projections:
 - Qualifying Full-time Job Creation: 2,994
 - Qualifying New Payroll: \$136.8 million
 - Average Compensation: \$55,835
 - Average Health Care Premium paid by employer: 76%
 - New Qualifying Capital. Investments: \$630.7 million
 - **Net Incremental Revenue Generated: \$24.5 million**
- **Other Information:**
 - Monthly filing/meeting cycle
 - Annual Report: September 1

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Tax Increment Financing District program.

- TIF Districts are created by municipalities to designate an area of the municipality where infrastructure improvements must occur to realize desired private sector development or redevelopment.
- The incremental property taxes generated by the new development helps pay for the infrastructure debt.
- Vermont TIF Districts have been authorized, through various versions of statute, to direct a share of the incremental Education property tax revenue generated by the development to finance the TIF District infrastructure debt.
- Districts created after 2006 had to meet certain criteria to utilize incremental education property tax revenue.
- Eligibility determined by VEPC.
- There are now ten TIF Districts:
 - Seven are “activated” (incurred debt)
 - Two expected to incur debt in 2015 and the other in 2016
 - One will end in 2016
- Implementation of Act 80:
 - VEPC ensured and monitored that all municipalities have made payments required, to date.
 - Formed working group to draft TIF District Rule; Filed with Secretary of State January 12, 2015.
 - Strengthened communication between VEPC, PVR, and municipalities:
 - Require only written communication (document);
 - Require designation of single point of contact by municipality;
 - Regular meetings and communication between VEPC, PVR, and SAO;
 - Scheduled series of TIF workshops for municipalities (first held Jan 14).
 - Filled VEPC vacancy with Grants Management Specialist to take on oversight and monitoring.
 - Implementing oversight and monitoring processes.
- No new applications are allowed under current statute.
- Amendments and phase filings are filed occasionally, usually prior to a November or March ballot.
- VEPC provides oversight, monitoring, issue resolution, non-compliance enforcement.
- Projected value of TIF District Improvements = \$283 million
- Projected incremental Educ. Property Tax revenue generated = \$271 million
- Projected incremental Educ. Property Tax revenue to TIF Districts = \$204 million (over 38 years)
- Annual Report: April 1

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Windham County Economic Development program

- Funds were made available due to settlement negotiated by Shumlin Administration in 2013 regarding the closure of the Entergy VY plant.
- Details of the settlement were stated in a [Memorandum of Understanding](#) (MOU) between the State of Vermont and Entergy, which included, among other considerations that Entergy would provide \$10 million over five years to the State of Vermont “to promote economic development in Windham County.”
- Paid to the State in \$2 million/year increments over five years.
- For Round 1 (FY15), ACCD received over \$5.6 million in requests.
- ACCD Staff reviewed applications against program criteria and other Agencies and regional organizations provided input.
- The VEPC Board reviewed all complete applications submitted, state agency and regional partner reviews, criteria scoring by ACCD staff, and VEPC staff summaries.
- VEDA provided underwriting of the one loan application.
- The VEPC Board also held a full day meeting in Brattleboro to hear oral presentations by the applicants.
- In November, VEPC provided an allocation recommendation to the Governor.
- IN December, the Governor made the following allocations:

<u>Applicant:</u>	<u>Project:</u>	<u>Amount:</u>
Bellows Falls Area Development Corp.	Island Redevelopment	\$300,000
Brattleboro Development Credit Corp.	Green Building/Accelerator	\$170,000
Sustainable Timber Investment Exch.	Advanced Practice Training	\$200,000
Strolling of the Heifers	Business Plan Competition	\$79,000
United Way Windham County	Working Bridges Program	\$65,000

- Also, Governor Shumlin has allocated \$25,000 as a contingency to cover potential interest and legal costs by the Vermont Economic Development Authority (VEDA) who is servicing loans for the program and \$25,000 to fund a contract with the Vermont Small Business Development Center (SBDC) to provide technical assistance to potential business applicants to the program.
- The remaining funds from this round will be combined with the next \$2 million payment and made available during the next round.
- Program is under review and revision.
- New structure expected to be announced by March.

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VERMONT EMPLOYMENT GROWTH INCENTIVE

The VEGI program continues to encourage the creation of good paying jobs and investment in Vermont that otherwise would not occur, generating new revenue to the state to support other programs. Applications are reviewed by the Vermont Economic Progress Council for consistency with nine program guidelines, including the quality of the jobs, and a rigorous cost-benefit analysis is performed to calculate the level of new tax revenue a project will generate for the state. The Council also must determine that a projects would not occur or would occur in a significantly different and less desirable manner if not for the incentives being authorized. Therefore, the projects generate new state tax revenues that would not have been realized. Those revenues pay the incentives and will generate net new tax revenue for Vermont.

To earn the incentives, authorized companies must meet payroll, employment and capital investment performance requirements each year. Only if the Tax Department determines that the performance requirements are met and maintained, the incentive is earned and pays out to the company in five annual installments.

In 2014, VEPC authorized incentives totaling \$4.7 million for eight companies, six of them long-time Vermont manufacturers, one new to Vermont providing well-paying work-at-home jobs, and one a start-up providing meat processing services for Vermont farmers. Four of the projects started in 2014 and four will start in 2015. Four of the projects are in Chittenden County: Keurig Green Mountain, Blodgett, Flex-A-Seal, and Twincraft. The others are Vermont Packinghouse in Springfield, Cabot Hosiery/Darn Tough in Northfield, National Hanger in North Bennington, and Precyse Solutions is statewide.

These projects will create 708 new full-time jobs between 2014 and 2019, generate \$15.3 million in new payroll, and the companies will invest \$136 million in Vermont. Even after the payment of the incentives, the State will realize \$2.4 million in net new revenue.

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APPLICATION SUMMARY: JANUARY 2007 – December 2014

Total Applications Considered:	86 (Avg. 11/year)
Total Active Projects:	37
Total Net Incentives Authorized:	\$32.5 million
Earn Period 2007-2018:	Average \$2.7 million/Year
Payout Period 2008-2022:	Average \$2.1 million/Year

ESTIMATE OF PROJECTED DIRECT AND INDIRECT ECONOMIC ACTIVITY 2007-2018

Total Full-time Job Creation (Direct and Indirect):	6,560
New Qualifying FT Jobs	(2,994)
New Non-Qualifying FT Jobs	(472)
New Indirect Jobs	(3,094)
Total Retained Full Time Jobs	4,934
Total Qualifying Full Time Payroll:	\$136.8 million
Weighted Average Wage (Full time jobs)	\$45,702
Average Total Compensation (Full Time jobs)	\$55,835
Average % of Health Care Premium Paid by Employer	75%
Total Qualifying Capital Investments	\$630.7 million
Approximate Value of Vermont Biz-to-Biz Interaction	\$178 million/Year
Total Net Revenue Return to Vermont:	\$24.5 million
Total Net New Revenue/Qualifying Job	\$8,183 per job*

PROJECTED/ACTUAL ECONOMIC ACTIVITY 2007-2012

	<u>PROJECTED</u>	<u>ACTUAL</u>
New Qualifying Jobs	1,829	3,038
New Qualifying Payroll	\$86.8 million	\$187 million
New Capital Investments	\$333.3 million	\$495.4 million
Net Incentive Installments Paid:	\$6.7 m	\$6.4 m
Net Revenue Return to Vermont	\$9.0 million	\$25.9 million
Net New Revenue/New Qualifying Job	\$4,920	\$8,525*

***Note: These figures *do not* represent a cost per job. They show the net new tax revenue generated to Vermont per new qualifying job created.**