

VERMONT ECONOMIC PROGRESS COUNCIL

FRED KENNEY

March 31, 2016

House Ways and Means

In response to data questions asked by Rep Allison Clarkson:

Number of years of projected activity by VEGI applicants:

1	7	16%
2	7	16%
3	8	18%
4	1	2%
5	22	49%
	45	

Terminations/recapture

Terminations:	38	
Did not meet Perf Req by end of grace period	20	
1 Earned Some Incentives		9
2 No Incentives Earned		11
Closure	9	
3 Earned Some Incentives (All recaptured)		4
4 No Incentives earned		5
Failed to file claim	9	
5 Earned Incentives		0
6 No Incentives earned		9
		<hr/>
		38

Terminated/Recaptured Companies:

Monahan (plant Restart- Middlebury- closed)
Utility Risk Management Company (New to VT, Stowe-closed)
Maple Mountain Woodworks (Start-up, Richford- closed)
Pinnacle Sales Accelerator (New to VT, Burlington- closed)

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RESPONSE TO AUDITOR HOFFER

Not going to comment on the Auditor's opinions, but feel I must correct some statements made regarding the Subsection 5 enhancement (increased incentive for projects in economically disadvantaged regions of the state).

First, the Auditor was mixing up the criteria in statute for the 140% wage threshold and the utilization of the Subsection 5 enhancement. These are different issues. They have similar, but different criteria:

Wage Threshold: Is 140% of VT Minimum Wage for LMA's in which the average annual unemployment rate is higher than the average annual unemployment rate for the state.

Subsection 5: Allowed for project occurring in LMAs in which average annual unemployment rate is greater than the average annual unemployment rate for the State or in which the average annual wage is below the average annual wage for the State.

See the document I provided today entitled "VEGI Wage Threshold and Sub 5," for detail.

Facts:

- The criteria for the wage threshold and Sub 5 enhancement are set by the legislature
- The eligible LMAs are certified to VEPC by the VT Department of Labor annually.
- The only statutory limitations on use of the Subsection 5 enhancement is the geographic criteria and the \$1 million cap.
- No company approved for Subsection 5 has ever received an increase of \$1.2 million as stated by the auditor. The highest increase was \$844,000, for a total incentive of \$1.063 million.

VEPC has been very judicious in its use of this authority:

- Sub 5 cap has only been reached in 2 of 10 years (2015 and 2016)
- In addition to statutory geographic criteria, because of the cap VEPC requires applicant to justify the additional incentive and reviews six additional criteria.
- Of the 30 geographically-eligible applications, **only 15** were approved for Sub 5
 - o 11 approved for 100% of additional incentive (causing neutral potential revenue return for state)
 - o 1 approved for 75%
 - o 3 approved for 50%
- Over entire life of program economic activity (14 years), use of Sub 5 has increased incentives by \$3.2 million and reduced potential net revenue benefit by \$2.8 million.
- Although it is allowed, VEPC has never increased the incentive beyond 100%, thereby causing a potential negative net revenue return (cost) for the state
- Companies approved with this enhancement are adding jobs in Brattleboro, Bennington, Bellows Falls, Bethel, and 3 projects in the NEK