

Vermont Enterprise Fund Report

Submitted to:

Senate Committee on Finance

Senate Committee on Economic Development

House Committee on Commerce and Economic Development

House Committee on Ways and Means

By:

Vermont Agency of Commerce and Community Development

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Introduction

This report is submitted pursuant to Section E.100.5(g) of Act 179 (2014) and describes the projects that have received financial support from the Vermont Enterprise Fund. Included in this report are the following statutorily required elements, including:

- The name of the recipient;
- The amount and type of the resources;
- The aggregate number of jobs created or retained as a result of the resources;
- A statement of costs and benefits to the State; and
- Whether any offer of resources was disallowed or recaptured.

Background

The Vermont Enterprise Fund was created by Act 179 in 2014 with the purpose of “making economic and financial resources available to businesses facing circumstances that necessitate State government support and response more rapidly than would otherwise be available from, or that would be in addition to, other economic incentives.” To date, three awards have been made totaling \$1.7 million.

In 2014, \$5million was appropriated to support the VEF. Of that, \$500,000 was transferred to VEDA to support their Entrepreneurial Lending Program. Since that time, the fund was used to fill budget gaps, leaving \$2.124 million available for projects as defined by the Act.

| Enterprise Fund | |
|-------------------------------|-------------|
| Initial balance | 5,000,000 |
| VEDA allocation | (500,000) |
| Aug.'14 Rescission | (956,896) |
| Act 51 of 2015 - Sec. G.10 | (425,000) |
| FY15 interested earned | 5,921 |
| FY16 Budget -trans to GF | (1,000,000) |
| | <hr/> |
| | 2,124,025 |
| E-Board requests | (1,700,000) |
| | <hr/> |
| | 424,025 |

(Source: Joint Fiscal Office)

Description of Awards

There have been three awards made from the Vermont Enterprise Fund. The first, to GW Plastics of Royalton/Bethel was for \$500,000; the second was awarded to BHS Composites, a Sherbrooke, Quebec company that will expand to St. Johnsbury, in the amount of \$200,000 and the most recent approval of \$1million was made to support GlobalFoundries.

GW Plastics

GW Plastics, with operations in both Royalton and Bethel, employs approximately 350. They are leaders in the design and manufacture of plastic-injection molded products for the healthcare and medical sectors.

Amount and Type of State Resources:

- Vermont Employment Growth Incentives: \$977,365
- Vermont Training Program: \$54,623
- Vermont Enterprise Fund: \$500,000 grant

Job Creation and Retention:

- 298 full-time jobs retained and 73 new full-time jobs to be created over three years as a result of this new investment

Disallowance/Recapture

No part of the Vermont Enterprise Fund award has been disallowed or recaptured to date. Additionally, there was no recapture or disallowance from the other incentives referenced above, to date.

BHS Composites

BHS Composites will be locating its US facility in St. Johnsbury and expects to employ approximately 75 over the next five years. They design and manufacture composite products for the aerospace and transportation sectors.

Amount and Type of State Resources

- Vermont Employment Growth Incentives: \$694,711 (Initial authorization)
- Vermont Training Program: \$90,000 (Estimated)
- Vermont Enterprise Fund: \$200,000 grant

Job Creation and Retention

- 75 new jobs to be created from 2016 to 2020

Disallowance/Recapture

No part of the Vermont Enterprise Fund award has been disallowed or recaptured to date. Additionally, there was no recapture or disallowance from the other incentives referenced above, to date.

GlobalFoundries

GlobalFoundries acquired the majority of the IBM operations in Vermont during 2015. As the need for cutting-edge technology increases at the same time chip-making companies must keep costs competitive, it is imperative that an efficient campus (and workforce) is in place.

Amount and Type of State Resources

- Vermont Enterprise Fund - \$1,000,000 grant
- Vermont Training Program - \$185,000 (pending)

Job Creation and Retention

- Existing full-time employment maintained and 100 supplemental (temporary) jobs will be transitioned to full-time, permanent status.

Disallowance/Recapture

No part of the Vermont Enterprise Fund award has been disallowed or recaptured, to date. Additionally, there was no recapture or disallowance from the other incentives referenced above, to date.

Projected Impact

The allocation of \$1.7 million from the Enterprise Fund for these three projects will help retain the State's largest private sector employer and one of Central Vermont's largest employers, as well as recruit a new employer to the Northeast Kingdom. The VEF investment will leverage private sector investments in Vermont totaling over \$92 million including new payroll and capital expenditures over the next five years. The projects will also create 248 direct full-time jobs. This investment and job creation will result in about 326 indirect and induced jobs, for a total job creation impact of 574 jobs. The net increase in State revenues over five years would exceed \$3.5 million

Conclusion

The Enterprise Fund has been used to help create a projected 148 direct full-time new jobs in areas of the state where there are challenges locating companies. It has also helped solidify the state's largest private sector employer, GlobalFoundries convert 100 temporary jobs to full time jobs with opportunities for career advancement. GlobalFoundries has also committed to reducing the number of temporary workers it uses overall.

Each recipient is making major investments in plant, equipment and workers in Vermont. These are new investments that are creating new property tax receipts for the host communities and the state.

The Enterprise Fund has proven to be an extremely helpful tool to assist important "anchor" companies remain and expand in Vermont and as a recruitment tool. We are often confronted with multi-state companies who may consider an expansion in Vermont and who are being offered incentives from another state to expand there. It has also proven to be a very valuable tool to retain companies in

Vermont. This Fund provides a much-needed source to help offset competition from other states as well as provide additional support to existing companies.

Vermont neither has the ability to compete with larger states in attracting new jobs, nor should we aspire to do so. The incentive programs we do have are measurable and based on performance. The Enterprise Fund provides the Governor the type of nimble, flexible funding to be utilized in those limited circumstances when other incentives are inadequate for regionally significant employers. The fund should be continued.