115 STATE STREET,
MONTPELIER, VT 05633-5301

PHONE: (802) 828-2231
FAX: (802) 828-2424

STATE OF VERMONT
OFFICE OF LEGISLATIVE COUNCIL

MEMORANDUM

To: Senate Committee on Appropriations

From: David Hall

Date: March 17, 2015

Subject: Section-by-section summary of S.138 as introduced

This memorandum provides a section-by-section summary of S.138, An act relating to promoting economic development, as introduced by the Senate Committee on Economic Development, Housing and General Affairs.

Vermont Employment Growth Incentive (VEGI); Secs. 1-4

Secs. 1-2. Wage Threshold - 32 V.S.A. § 5930a and 32 V.S.A. § 5930b(a)(24)

The changes in Sec. 1. 32 V.S.A. § 5930a and in Sec. 2. in 32 V.S.A. § 5930b(a)(24) relate to the "wage threshold" in the VEGI program. The "wage threshold" is the minimum annualized Vermont gross wages and salaries paid for a new job to count as a "qualifying job" under the program. Current law sets the minimum for the "wage threshold" at 160% of the Vermont minimum wage at the time of application. The change in this bill pegs the minimum "wage threshold" to the livable wage at the time of application, as calculated by the Joint Fiscal Office pursuant to 2 V.S.A. § 505(a)(3). The current minimum wage is $9.15/hr. The livable wage pursuant to 2 V.S.A. § 505(a)(3) (single person sharing one-half the expense of a Vermont household) is $13.00/hr.

Sec. 2. Net negative awards – 32 V.S.A. § 5930b(b)(5)

The change in Sec. 2 in 32 V.S.A. § 5930b(b)(5) concerns the Vermont Economic Progress Council's authority to authorize incentives in excess of net fiscal benefit multiplied by the incentive ratio for awards to businesses in a labor market area, as defined by the Department of Labor, where the rate of unemployment or the annual average wage is lower than for the rest of the State. VEPC has the authority to grant these awards in current law (in session law—see Sec. 3), but current law caps the amount of such awards at $1,000,000.00. This change codifies VEPC's authority and removes the dollar cap.

Sec. 2. Extending the claim period for an incentive – 32 V.S.A. § 5930b(c)(6)

Currently a business that has been awarded an incentive has up to two years following a target year to meet its employment and capital investment targets and claim its incentive. Under this change, VEPC has the authority to investigate the circumstances in which a business doesn't make its target, determine the likelihood that it will meet its targets with additional time, and award up to two additional years to meet the first year targets, or up to one additional year to meet the second year targets.

Sec. 2. Enhanced training incentive – 32 V.S.A. § 5930b(h)

Normally a business may claim an incentive in installments over five years. Under this change, a business may claim an incentive in year one if it opts to reinvest incentive monies in training its new hires through the Vermont Training Program or through a Workforce Education and Training Fund program. The business would notify VEPC of this intent, apply for a training grant, complete training, and receive the full value of its incentive, less 25% of the cost of training. The change does include a recapture provision that mirrors current law if the business does not maintain its qualifying jobs.

Sec. 2. Incentives for value-added businesses – 32 V.S.A. § 5930b(i)

As with "Green VEGI," this change makes more incentive dollars available to a qualifying "value-added business." If such business applies and meets its targets, it is awarded a higher percentage of the resulting net fiscal benefit to the State. Additionally, by lowering the "payroll threshold" to 20 percent of expected average industry payroll growth, the change lowers the industry's "background growth" that an applicant must exceed in order for its growth to qualify for incentives under the program.

Sec. 2. 32 V.S.A. § 5930b(j) – this subsection is not actually "new," but rather codifies the existing cap in session law for the entire VEGI program (see Sec. 3.)

Sec. 3. Striking 2006 Acts and Resolves No. 184, Sec. 11

Again, this session law is repealed here because it is now codified above in 32 V.S.A. § 5930b(c)(6)(B) and 5930b(j).

Sec. 4. Vermont Training Program/VEGI – 10 V.S.A. § 531

This change is in reference to the enhanced training incentive created above in Sec. 2. Under that incentive, the VTP will actually provide 75% of the cost of training up front. If the business successfully completes training and receives its entire incentive award, the Department of Taxes will reimburse the Agency of Commerce and Community Development for 25% of the cost of training from the business's award payment.

Education and Workforce Training

Vermont Strong Scholars Program

Sec. 10 – Findings and intent language requested by VSAC.

Sec. 11 – Vermont Strong changes – 16 V.S.A. § 2888

This section:

- changes "economic sectors" to "occupations" for purposes of determining what jobs will qualify for a graduate/new employee to receive loan forgiveness under the program

- adds the Association of Vermont Independent Colleges to the list of entities that determine qualifying occupations each year

- clarifies that a student must be enrolled in his or her first year of study at a postsecondary institution on or after July 1, 2015, and complete his or her degree within a specified time from the date of enrollment

- specifies that a qualifying job must be full-time

- provides that the availability and payment of loan forgiveness awards *under this chapter* is subject to State funding available for the awards

Advanced Manufacturing and Information Technology Programs; Analysis

Sec. 12 – Directs Agencies of Commerce and Education, and DOL, to analyze their workforce education and training programs in target sectors and collaborate to support advanced of these programs.

Governor's Committee on Employment of People With Disabilities

Sec. 13 – adds an additional member to the Committee from the Jobs for Veterans State Grant Program

Tax Credits

Angel Investor Tax Credit

Sec. 20 – creates a credit for 40% of the value of each eligible venture capital investment per qualifying business made in a tax year

- credit can be claimed up to 25% over four years, but cannot reduce tax liability more than 50%; 10-year carryforward

- max investment in one business from one investor is $500k

- max investment in one business from all investors is $5 million

- ACCD must certify investments and issue tax certificate

Millenial Enterprise Zone Tax Credit

Sec. 20 – creates a credit for 5% of the value of each new job, 50% of capital investment in real or personal property, and 10% of R&D investment

- “zone” is designated by ACCD and can be virtual space or geographical area

- limited to businesses in information technology or related fields

- eligible jobs must be full-time and pay average compensation of 150% of Vermont minimum wage

- ACCD to adopt rules to administer the program

First-time Homebuyer Down Payment Assistance Program

Sec. 21 – authorizes VHFA to allocate affordable housing tax credit funds for down payment assistance if

- borrower is a first time homebuyer in an owner-occupied primary residence

- loan is made in connection with another VHFA program

- money is used for down payment, closing costs, or both

- loan is repaid upon sale or refinance of the residence

- cap of $125,000.00 per year for loans under the DPA program

Land Use and Natural Resources

Sec. 30 - Amends the requirements for designating a new town center. Under current law, to obtain the designation a town must demonstrate that civic and public buildings do or will exist. The section would allow the town the option to demonstrate instead that publicly owned structures or facilities devoted to community use do or will exist.

Sec. 31 - Adds an exemption to Act 250 for projects in industrial parks in existing as of 1/1/10 and subject to an “umbrella permit.” A project within such a park would no longer have to get a permit amendment if it will comply with the specific conditions of the umbrella permit, the town has in effect a land use plan and zoning and subdivision bylaws, and the project receives a municipal land use permit and all required Agency of Natural Resource (ANR) permits.

Sec. 32 - Allows a regional development corporation (RDC) to designate an enterprise zone for manufacturing after consultation with the regional and local planning commissions and a public process. Enterprise zone to consist of contiguous or adjacent properties suitable for manufacturing and supported by necessary infrastructure. Benefits of enterprise zone: (a) decisions on ANR permits within 45 days, and (b) RDC or municipality may apply for Act 250 master plan permit, and if that permit is approved, no further Act 250 permitting needed in the zone.

Sec. 33 – Clarifies the purpose of last year's amendment to Act 250 that added a "settlement patterns" criterion (Criterion 9L). Directs the Natural Resources Board (NRB) to revise its existing Criterion 9L procedure in collaboration with other state agencies and after conducting a public process. Directs the Agency of Commerce and Community Development, working with the NRB and ANR, to develop outreach material and implement a training plan on Criterion 9L.

Sec. 34 - Expands an existing exemption from Act 250 that applies to mixed use and mixed income housing projects in downtown development districts. Would authorize the same exemption for growth centers and allow the "mixed use" component to include small scale, low impact manufacturing.

Business Growth; Access to Capital; Tourism

Tourism and marketing

Sec. 40 –

- appropriation for tourism and marketing ($510,000.00)
- for integrated tourism and economic development marketing
- Department may contract with private marketing firm for brand initiative

Domestic Export Program

Secs. 41-42 – codifies program in Title 6 and directs Agency to apply for grants or identify internal efficiencies to sustain program

Vermont Entrepreneurial Lending Program

Sec. 43 – removes $100,000.00 "cap" from lending program for manufacturing business and software developers

Peer-to-peer lending study

Sec. 44 – directs Department of Financial Regulation and Agency of Commerce and Community Development to analyze regulatory models for peer-to-peer lending

Media Production Database

Sec. 45 – directs ACCD to create and maintain a current media production database and seek to partner with one or more Vermont colleges or internship programs to support the work

Treasurer's Local Investment Advisory Committee and Credit Facility

Sec. 46 – extends the programs for an additional year

Fortified Wines

Sec. 50 – Changes the definitions of "spirits" and "vinous beverages" so that fortified wines between 16 and 23% alcohol are defined as vinous beverages that can be distributed by licensed wholesalers and bottlers to licensed retailers.

Sec. 51 – Permits the Liquor Control Board to grant up to 200 fortified wine permits to second class licensees for the sale of fortified wines for off-premises consumption.

Sec. 52 – Permits third class licensees to continue to sell fortified wines.

Sec. 53 – Maintains existing tax rate on fortified wines for educational sampling events.

Sec. 54 – Sets $100 annual fee for a fortified wine permit.

Sec. 55 – Sets a new tax rate of $19.80 per gallon of fortified wines that are sold by bottlers and wholesalers to retailers, or are sold by manufacturers at retail.

Sec. 56 – Removes fortified wines from the 5–25% excise tax on spirits that are sold at retail by the Department of Liquor Control or by manufacturers.

Sec. 57 – Requires the Commissioner to report to the General Assembly on the whether the number of fortified wine permits is sufficient, and how the issuance of fortified wine permits has impacted sales and variety of the products.

Effective Dates

Sec. 100 – act effective upon passage, except VEGI provisions take effect retroactive to January 1, 2015.