

SENATE FINANCE  
TUESDAY, MARCH 17, 2015, 1:30 PM  
FRED KENNEY, EXECUTIVE DIRECTOR,  
VERMONT ECONOMIC PROGRESS COUNCIL

**VERMONT EMPLOYMENT GROWTH INCENTIVE**

**2015 LEGISLATIVE INITIATIVES**

**General Points:**

- Proposing several enhancements to the Vermont Employment Growth Incentive program to increase the number of employers that could be eligible and increase the geographic distribution of the program, without compromising the requirement to create jobs that pay well or to actually create the jobs and make investments before incentives are paid.
- The proposals will increase the state's ability to encourage the creation of well-paying jobs for Vermonters without a budget increase or changing the overall cap on VEGI approvals.
- Instead, the proposals are aimed at increasing the potential for job creation and expansion by existing Vermont companies and attracting new prospective employers.
- The proposals also build on the linkage between the VEGI program and the Vermont Training Program – companies often apply for both - by providing more dollars for training without a budget increase.

**Summary of Proposals:**

**1) Decouple VEGI Wage Threshold from Vermont Minimum Wage (160% of Min Wage):**

- Instead, make it *equal to* Vermont Livable Wage.
- The VEGI program provides an incentive for the creation of **new, entry level jobs**.
- As the VT Minimum Wage rises, fewer and fewer employers will be eligible for incentives.
- \$16.80/hour (VEGI Wage Threshold in 2018 at 160% of VT Minimum Wage) is not an entry level wage in most of Vermont.
- Remains a minimum (floor); most jobs are well above the minimum.
- VEGI Wage Threshold would be consistent with Vt Training Program wage threshold.
- Reduces the frequency of the change in the threshold from annual to every two years.

**2) Give VEPC Board discretion to extend grace period for Years 1 and 2:**

- Currently, if a company does not meet Year 1 or Year 2 Performance Requirements within 24 months after the year in question, the incentives are automatically forfeited for that year and subsequent years.
- There have been cases in which companies needed just a few more months to meet the requirements.
- Often, the circumstances are beyond the control of the company (loss of a contract; construction delays, etc.)
- Proposal would add a review by the VEPC Board authority to review the circumstances and scope of the hiring delay and if warranted, give the Board the discretion to grant an additional 12 months to meet the Performance Requirements.
- Company still required to meet Performance Requirements to earn incentive and all requirements must still be met within five year modeling period.

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**3) Remove cap on enhanced incentive for projects in low income/high unemployment areas:**

- Currently, the VEPC Board has the authority to enhance the normal incentive amount by decreasing the projected net return to the state.
- Statute limits the use of this discretion to projects that occur in regions with lower-than-average incomes and higher-than-average unemployment.
- The ineligible regions are identified by the Department of Labor each year and have historically included the Burlington LMA and the Hartford LMA.
- Statute also caps the use of this enhancement at \$1 million.
- Because of the cap, the VEPC Board self-imposed a set of criteria, beyond the statutory geographic limitation, to help determine when the enhancement should be used.
- Therefore, the cap limits the ability to provide enhanced incentives to projects that might occur in the areas of the state with lower economic activity.
- Eliminating the Sub. 5 cap does not increase the overall level of incentives that can be authorized, but could encourage more job creation outside of Chittenden County.

**4) Create New Enhanced VEGI Training Incentive:**

- Ties VEGI and Vermont Training Program together for certain companies with substantial training needs.
- Offer eligible companies 75% State match from Vermont Training Program grant for new hire training (vs normal 50%) if VEGI incentive payment is dedicated to training costs.
- Company will be eligible to receive 100% of earned incentive after first year, if VEGI Performance Requirements are met, as first installment (vs 20% each year for five years).
- When incentive earned and paid, required amount is paid to VTP by VEGI program to cover the extra 25% in training costs paid to company by VTP.
- Remainder goes to company as incentive payment.
- State loses ability to cut off future installments if jobs are cut. But if jobs are cut, the employees are trained. Proposal also includes recapture provision.
- Provides more dollars for training without additional cost to State.

**5) Enhanced VEGI for Value-Add Businesses:**

- Currently, the program allows an enhanced level of incentive for applicants proposing activity in certain environmental technology sectors.
- Proposal would expand this enhancement for manufacturing and high-tech job creation and investment.
- The manufacturing and high-tech sectors are extremely important to the resurgence of Vermont's economy.
- Manufacturing continues to be a vibrant sector in Vermont employing over 32,000 Vermonters.
- Manufacturing also drives the export of products and the importation of dollars. For every dollar spent on manufacturing puts \$1.37 into the economy.
- Manufacturing and high-tech jobs are high paying, include benefits, and help drive innovation.