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S.34

Introduced by Senators Sirotkin, Ashe, Mullin, and Pearson

Referred to Committee on Government Operations

Date: January 18, 2017

Subject: Commerce and trade

Statement of purpose of bill as introduced: This bill proposes to direct the Governor's Development Cabinet to review State incentive programs and propose program changes, conditions for incentives, or other strategies to cross-promote relevant State policies.

An act relating to cross-promoting development incentives and State policy goals

It is hereby enacted by the General Assembly of the State of Vermont:

~~Sec. 1. 3 V.S.A. § 2293 is amended to read:~~

~~§ 2293. DEVELOPMENT CABINET~~

~~(a) Legislative purpose. The General Assembly deems it prudent to establish a permanent and formal mechanism to assure ensure collaboration and consultation among State agencies and departments, in order to support and encourage Vermont's economic development, while at the same time conserving and promoting Vermont's traditional settlement patterns, its working and rural landscape, its strong communities, and its healthy~~

1 ~~environment, all in a manner set forth in this section.~~

2 ~~(b) Development Cabinet.~~

3 ~~(1)(A) A The Development Cabinet is created, to consist of the~~  
4 ~~Secretaries of the ~~Agencies of~~ Administration, of Agriculture, Food and~~  
5 ~~Markets, of Commerce and Community Development, of Education, of~~  
6 ~~Natural Resources, and of Transportation.~~

7 ~~(B) The Governor or the Governor's designee shall chair the~~  
8 ~~Development Cabinet.~~

9 ~~(2) The Development Cabinet shall advise the Governor on how best to~~  
10 ~~implement the purposes of this section, and shall recommend changes as~~  
11 ~~appropriate to improve implementation of those purposes.~~

12 ~~(3)(A) The Development Cabinet may establish interagency work~~  
13 ~~groups to support its mission, drawing membership from any agency or~~  
14 ~~department of State government.~~

15 ~~(B) Any interagency work groups established under this subsection~~  
16 ~~(b) shall evaluate, test the feasibility of, and suggest alternatives to economic~~  
17 ~~development proposals, including proposals for public-private partnerships,~~  
18 ~~submitted to them for consideration.~~

19 ~~(C) The Development Cabinet shall refer to appropriate interagency~~  
20 ~~workgroups any economic development proposal that has a significant impact~~  
21 ~~on the inventory or use of State land or buildings.~~

1 ~~(4) The Development Cabinet shall:~~

2 ~~(A) review State loan, grant, and other incentive programs to explore~~  
3 ~~whether, and how the expenditure of State funds through incentive programs~~  
4 ~~can cross-promote relevant State policies, including the adoption of renewable~~  
5 ~~energy, public access to conserved lands, and water quality improvements;~~

6 ~~(B) recommend to the Governor and the General Assembly areas for~~  
7 ~~improvement, program changes, conditions on incentives, and other strategies~~  
8 ~~to ensure cross-promotion of relevant State policies through incentive~~  
9 ~~programs; and~~

10 ~~(C) on or before December 15 of each even-numbered year, submit a~~  
11 ~~report to the Governor and the General Assembly on the implementation of its~~  
12 ~~recommendations and the effectiveness of efforts to cross-promote incentive~~  
13 ~~programs and State policies.~~

14 (c) Implementation. All State agencies that have programs or take actions  
15 affecting land use, including those identified under 3 V.S.A. chapter 67 of this  
16 title, shall, through or in conjunction with the members of the Development  
17 Cabinet:

18 (1) Support conservation of working lands and open spaces.

19 (2) Strengthen agricultural and forest product economies, and encourage  
20 the diversification of these industries.

21 ~~(3) Develop and implement plans to educate the public by encouraging~~

1 ~~discussion at the local level about the impacts of poorly designed growth, and~~  
2 support local efforts to enhance and encourage development and economic  
3 growth in the State's existing towns and villages.

4 (4) Administer tax credits, loans, and grants for water, sewer, housing,  
5 schools, transportation, and other community or industrial infrastructure, in a  
6 manner consistent with the purposes of this section.

7 (5) To the extent possible, endeavor to make the expenditure of State  
8 appropriations consistent with the purposes of this section.

9 (6) Encourage development in, and work to revitalize, land and  
10 buildings in existing village and urban centers, including "brownfields,"  
11 housing stock, and vacant or underutilized development zones. Each agency is  
12 to set meaningful and quantifiable benchmarks.

13 (7) Encourage communities to approve settlement patterns based on  
14 maintaining the State's compact villages, open spaces, working landscapes,  
15 and rural countryside.

16 (8) Encourage relatively intensive residential development close to  
17 resources such as schools, shops, and community centers and make  
18 infrastructure investments to support this pattern.

19 (9) Support recreational opportunities that build on Vermont's  
20 outstanding natural resources, and encourage public access for activities such  
21 ~~as boating, hiking, fishing, skiing, hunting, and snowmobiling. Support, and~~

1 ~~support and work collaboratively to make possible sound development and~~  
2 well-planned growth in existing recreational infrastructure.

3 (10) Provide means and opportunity for downtown housing for mixed  
4 social and income groups in each community.

5 (11) [Repealed.]

6 (12) Encourage timely and efficient processing of permit applications  
7 affecting land use, ~~including pursuant to~~ 10 V.S.A. chapter 151 and the  
8 subdivision regulations adopted under 18 V.S.A. § 1218, in order to encourage  
9 the development of affordable housing and small business expansion, while  
10 protecting Vermont's natural resources.

11 (13) Participate in creating a long-term economic development plan,  
12 including making available the members of any agency or department of State  
13 government as necessary and appropriate to support the mission of an  
14 interagency work group established under subsection (b) of this section.

15 (d) Interagency work group.

16 (1) Pursuant to the recommendations of the Oversight Panel on  
17 Economic Development created in 2010 Acts and Resolves No. 146, Sec. G6,  
18 the Development Cabinet shall create an interagency work group as provided  
19 in subsection (b) of this section with the Secretary of Commerce and  
20 Community Development serving as its chair.

21 ~~(2) The mission of the work group shall be to develop a long-term~~

1 ~~economic development plan for the State, which shall identify goals and~~  
2 recommend actions to be taken over 10 years, and which shall be consistent  
3 with the four principles of economic development identified in 10 V.S.A. § 3  
4 and the relevant population-level outcomes for economic development set  
5 forth in ~~3 V.S.A. §~~ section 2311 of this title.

6 (e) Long-term economic development plan. (1) On or before January 15,  
7 2014, and every two years thereafter, the Development Cabinet or its work  
8 group shall complete a long-term economic development plan as required  
9 under subsection (d) of this section and recommend it to the Governor.

10 (2) Commencing with the plan due on or before January 15, 2016, the  
11 Development Cabinet or its work group may elect only to prepare and  
12 recommend to the Governor an update of the long-term economic development  
13 plan.

14 (3) Administrative support for the economic development planning  
15 efforts of the Development Cabinet or its work group shall be provided by the  
16 Agency of Commerce and Community Development.

17 (f) Limitations. This Cabinet is strictly an ~~information gathering~~  
18 information-gathering and coordinating cabinet and confers no additional  
19 enforcement powers.

20 Sec. 2. EFFECTIVE DATE

21 ~~This act shall take effect on passage.~~

*\* \* \* Rural Economic Development Team \* \* \**

*Sec. 1. 10 V.S.A. chapter 15, subchapter 4 is added to read:*

*Subchapter 4. Rural Economic Development Team*

*§ 325m. RURAL ECONOMIC DEVELOPMENT TEAM*

*(a) Definitions. As used in this subchapter:*

*(1) “Industrial park” means an area of land permitted as an industrial park under 10 V.S.A. chapter 151, under 24 V.S.A. chapter 117, or under both.*

*(2) “Rural area” means a county of the State designated as “rural” or “mostly rural” by the U.S. Census Bureau in its most recent decennial census.*

*(3) “Small town” means a town in the State with a population of less than 5,000 at the date of the most recent U.S. Census Bureau decennial census.*

*(b) Establishment. There is created within the Vermont Housing and Conservation Board a Rural Economic Development Team to promote and facilitate community economic development in the small towns and rural areas of the State. The Rural Economic Development Team shall collaborate with municipalities, businesses, industrial parks, regional development corporations, and other appropriate entities to access funding and other assistance available to small towns and rural areas of the State for development or recruitment of businesses and workforce development when existing State resources or staffing assistance is not available.*

*(c) Services; access to funding.*

*(1) The Rural Economic Development Team shall provide the following services to small towns, rural areas, and businesses in small towns and rural areas:*

*(A) identification of grant or other funding opportunities available to small towns, rural areas, and industrial parks and businesses in small towns and rural areas that facilitate business development, siting of businesses, workforce development, broadband deployment, wastewater infrastructure, or other economic development opportunities;*

*(B) technical assistance to small towns, rural areas, and industrial parks and businesses in small towns and rural areas in writing grants, accessing and completing the application process for identified grants or other funding opportunities, including writing applications for grants or other funding, coordination with providers of grants or other funding, strategic planning for the implementation or timing of activities funded by grants or other funding, and compliance with the requirements of grant awards or awards of other funding.*

(2) In providing services under this subsection, the Rural Economic Development Team shall give first priority to projects that have received necessary State or municipal approval and that are ready for construction or implementation.

(d) Services; business development. The Rural Economic Development Team shall provide small towns and rural areas with services to facilitate the business development in these areas. These services shall include:

(1) Identifying businesses or business types suitable for a small town, rural area, or an industrial park in a small town or rural area. In identifying businesses or business types, the Rural Economic Development Team shall seek to identify businesses or business types in the following priority areas:

(A) milk plants, milk handlers, or dairy products, as those terms are defined in 6 V.S.A. § 2672;

(B) the outdoor equipment or recreation industry;

(C) the value-added forest products industry;

(D) the value-added food industry;

(E) phosphorus removal technology; and

(F) composting facilities.

(2) Recommending available grants, tax credits, or other incentives that a small town or rural area can use to attract businesses.

(3) Coordinating with small towns or rural areas on ways to establish or attract coworker spaces or generator spaces that facilitate the incubation and development of businesses. The Rural Economic Development Team shall explore with a small town or rural area whether underused or closed school buildings are appropriate sites for coworker or generator spaces.

(e) Report. Beginning on January 15, 2018, and annually thereafter, the Rural Economic Development Team shall submit to the Senate Committees on Agriculture and on Economic Development, Housing and General Affairs and the House Committees on Agriculture and Forestry and on Commerce and Economic Development a report regarding the activities and progress of the Team. The report shall include:

(1) a summary of the Team's activities in the preceding calendar year;

(2) an evaluation of the effectiveness of the services provided by the Team to small towns, rural areas, and industrial parks;

(3) a summary of the Team's progress in attracting priority businesses to small towns and rural areas;

(4) an accounting of the grants or other funding that the Team facilitated or provided assistance with;

(5) an accounting of the funds acquired by the Rural Economic Development Team for administration of grants or other funding mechanisms and whether these funds are sufficient to offset the cost of the Rural Economic Development Team; and

(6) recommended changes to the program, including proposed legislative amendments to further economic development in small towns and rural areas in the State.

*Sec. 2. APPROPRIATIONS; RURAL ECONOMIC DEVELOPMENT TEAM*

Of the funds appropriated to the Vermont Housing and Conservation Board in fiscal year 2018 from the Vermont Housing and Conservation Trust Fund, up to \$200,000.00 shall be used to implement and administer the Rural Economic Development Team established under 10 V.S.A. § 325m.

*\* \* \* Vermont Milk Commission \* \* \**

*Sec. 3. VERMONT MILK COMMISSION; EQUITABLE DAIRY PRICING*

(a) The General Assembly finds that:

(1) The price that farmers from northeastern states, including Vermont, receive for milk is not set by supply and demand in the free market, but instead is set by the terms of a federal marketing order known as the Northeast Marketing Area Federal Order 1 (Milk Marketing Order).

(2) The Milk Marketing Order does not reflect the actual cost to farmers of milk production.

(3) The Milk Marketing Order is dependent on commodity prices and other market influences that lead to significant fluctuations in the price provided to farmers.

(4) Because of the Milk Market Order, farmers lose money on milk production, and because of the volatility of the market, farmers cannot predictably plan for investment to decrease production costs.

(5) The Vermont Milk Commission was established, in part, to ensure the continuing economic vitality of the dairy industry by stabilizing the price received by farmers for milk at a level allowing them an equitable rate of return.

(6) The Secretary of Agriculture, Food and Markets should reconvene the Vermont Milk Commission to work with interested parties, including other

states, to recommend to the U.S. Congress through the Vermont congressional delegation a replacement to the Milk Marketing Order that ensures farmers are provided with an equitable price for milk.

(b) As soon as practical and no later than September 1, 2017, the Secretary of Agriculture, Food and Markets shall convene the Vermont Milk Commission under 6 V.S.A. chapter 162 to propose changes to the federal Northeast Marketing Area Federal Order 1 that provide farmers in Vermont with an equitable price for milk that reflects better the actual cost of dairy production. The Vermont Milk Commission shall:

(1) Analyze the current status of the milk market to identify areas or issues that could be addressed in an amendment to the Milk Marketing Order.

(2) Collaborate with interested parties, including other Northeastern states, to develop a proposed amendment to or replacement of the current Milk Marketing Order for the northeast. The proposed amendment or replacement shall be designed to:

(A) provide farmers with an equitable price for milk that is based on the costs of production; and

(B) eliminate or reduce provisions in the Milk Marketing Order that facilitate price volatility in the milk market.

(3) Submit a proposed amendment to or replacement of the Milk Marketing Order to the Senate Committee on Agriculture and the House Committee on Agriculture and Forestry on or before January 15, 2018.

(4) After review by the General Assembly, submit to the congressional delegation of Vermont the proposed amendment to or replacement of the Milk Marketing Order so that the U.S. Congress may amend the Milk Marketing Order.

(c) Except for the two legislative members of the Commission, the per diem compensation and reimbursement to which a member of the Commission is entitled shall be paid from the budget of the Agency of Agriculture, Food and Markets.

\* \* \* Development Cabinet \* \* \*

Sec. 4. 3 V.S.A. § 2293(b) is amended to read:

(b) Development Cabinet.

(1)(A) A The Development Cabinet is created, to consist of the Secretaries of the ~~Agencies~~ of Administration, of Agriculture, Food and Markets, of Commerce and Community Development, of Education, of Natural Resources, and of Transportation.

*(B) The Governor or ~~the Governor's~~ designee shall chair the Development Cabinet.*

*(2) The Development Cabinet shall advise the Governor on how best to implement the purposes of this section, and shall recommend changes as appropriate to improve implementation of those purposes.*

*(3)(A) The Development Cabinet may establish interagency work groups to support its mission, drawing membership from any agency or department of State government.*

*(B) Any interagency work groups established under this subsection (b) shall evaluate, test the feasibility of, and suggest alternatives to economic development proposals, including proposals for public-private partnerships, submitted to them for consideration.*

*(C) The Development Cabinet shall refer to appropriate interagency workgroups any economic development proposal that has a significant impact on the inventory or use of State land or buildings.*

*(4) The Development Cabinet shall:*

*(A) Review State loan, grant, and other incentive programs to explore whether and how the expenditure of State funds can cross-promote relevant State policies, including the adoption of renewable energy, rural economic development, public access to conserved lands, and water quality improvements.*

*(B) Recommend to the Governor and the General Assembly areas for improvement, program changes, conditions on incentives, and other strategies to ensure cross-promotion of relevant State policies. The Cabinet's recommendations shall prioritize economic development opportunities in rural areas, small towns, and industrial parks in small towns and rural areas. As used in this subdivision, "rural area," "small town," and "industrial park" shall have the same meaning as set forth in 10 V.S.A. § 325m.*

*(C) On or before December 15, 2018 and biennially thereafter, submit a report to the Governor and the General Assembly on the implementation of its recommendations and the effectiveness of efforts to cross-promote incentive programs and State policies.*

*\* \* \* Energy Efficiency \* \* \**

*Sec. 5. PUBLIC SERVICE BOARD; REPORT ON INCREASED  
PARTICIPATION IN SELF-ADMINISTRATION OF ENERGY  
EFFICIENCY*

*(a) On or before December 1, 2017, the Public Service Board shall require*

all entities that are appointed under 30 V.S.A. § 209 to implement and administer gas and electric energy efficiency and conservation programs to submit to the Board a plan for increasing participation in self administration of energy efficiency under 30 V.S.A. § 209(d)(3) by businesses located in small towns of the rural areas of the State. A plan submitted by appointed entities shall recommend:

(1) measures or criteria to incentivize increased participation in self-administration of energy efficiency;

(2) whether any incentives to increase participation in self-administration should be included as part of the demand resources plan for entities appointed to implement and administer gas and electric energy efficiency and conservation programs; and

(3) how the entities appointed to implement and administer gas and electric energy efficiency and conservation programs shall report in an annual plan or other report participation rates in self-administration of energy efficiency by businesses located in the small towns of rural areas of the State.

(b) On or before January 15, 2018, the Public Service Board shall submit to the Senate Committees on Finance, Natural Resources and Energy, and Agriculture and the House Committees on Ways and Means, Natural Resources, Fish and Wildlife, and Agriculture and Forestry the plans submitted to the Board under subsection (a) of this section and any recommendations, including legislative changes, by the Board to implement the submitted plans.

(c) As used in this section:

(1) "Rural area" means a county of the State designated as "rural" or "mostly rural" by the U.S. Census Bureau in its most recent decennial census.

(2) "Small town" means a town in a rural area of the State with a population of less than 5,000 at the date of the most recent U.S. Census Bureau decennial census.

\* \* \*

\* \* \* Environmental Permitting \* \* \*

Sec. 6. 3 V.S.A. § 2822(i) is amended to read:

(i)(1) The Secretary shall not process an application for which the applicable fee has not been paid unless the Secretary specifies that the fee may be paid at a different time or unless the person applying for the permit is exempt from the permit fee requirements pursuant to 32 V.S.A. § 710. Municipalities shall be exempt from the payment of fees under this section except for those fees prescribed in subdivisions (j)(1), (7), (8), (14), and (15) of

*this section for which a municipality may recover its costs by charging a user fee to those who use the permitted services. Municipalities shall pay fees prescribed in subdivisions (j)(2), (10), (11), (12), and (26), except that a municipality shall also be exempt from those fees for stormwater systems prescribed in subdivision (j)(2)(A)(iii)(I), (II), or (IV) and (j)(2)(B)(iv)(I), (II), or (V) of this section for which a municipality has assumed full legal responsibility under 10 V.S.A. § 1264.*

*(2) An air contaminant source shall be exempt from the fees required under subdivisions (j)(1)(A) and (B) when the source of the emissions is the anaerobic digestion of agricultural products, agricultural by-products, agricultural waste, or food waste.*

\* \* \*

*\* \* \* Phosphorus Removal Technology; Grants \* \* \**

*Sec. 7. 6 V.S.A. § 4828 is amended to read:*

*§ 4828. CAPITAL EQUIPMENT ASSISTANCE PROGRAM*

*(a) It is the purpose of this section to provide assistance to contract applicators, nonprofit organizations, and farms to purchase or use innovative equipment that will aid in the reduction of surface runoff of agricultural wastes to State waters, improve water quality of State waters, reduce odors from manure application, separate phosphorus from manure, decrease greenhouse gas emissions, and reduce costs to farmers.*

*(b) The capital equipment assistance program is created in the Agency of Agriculture, Food and Markets to provide farms, nonprofit organizations, and custom applicators in Vermont with State financial assistance for the purchase of new or innovative equipment to improve manure application, separation of phosphorus from manure, or nutrient management plan implementation.*

*(c) Assistance under this section shall in each fiscal year be allocated according to the following priorities and as further defined by the Secretary:*

*(1) First priority shall be given to capital equipment to be used on farm sites that are serviced by custom applicators, phosphorus separation equipment providers, and nonprofit organizations and that are located in descending order within the boundaries of:*

*(A) the Lake Champlain Basin;*

- (B) the Lake Memphremagog Basin;*
- (C) the Connecticut River Basin; and*
- (D) the Hudson River Basin.*

*(2) Next priority shall be given to capital equipment to be used at a farm site ~~which~~ that is located in descending order within the boundaries of:*

- (A) the Lake Champlain Basin;*
- (B) the Lake Memphremagog Basin;*
- (C) the Connecticut River Basin; and*
- (D) the Hudson River Basin.*

*(d) An applicant for a State grant under this section to purchase or implement phosphorus removal technology or equipment shall pay 10 percent of the total eligible project cost. The dollar amount of a State grant to purchase or implement phosphorus removal technology or equipment shall be equal to the total eligible project cost, less 10 percent of the total as paid by the applicant, and shall not exceed \$300,000.00.*

*\* \* \* Forestry Equipment \* \* \**

*Sec. 8. 32 V.S.A. § 9741 is amended to read:*

*§ 9741. SALES NOT COVERED*

*Retail sales and use of the following shall be exempt from the tax on retail sales imposed under section 9771 of this title and the use tax imposed under section 9773 of this title.*

*\* \* \**

*(51) The following machinery, including repair parts, used for timber cutting, removal, and processing of timber or other solid wood forest products intended to be sold ultimately at retail: skidders with grapple and cable, feller bunchers, cut to length processors, forwarders, delimiters, loader slashers, log loaders, whole tree chippers, stationary screening systems, and firewood processors, elevators, and screens. The Department of Taxes shall publish guidance relating to the application of this exemption.*

*Sec. 9. 32 V.S.A. § 9706(kk) is added to read:*

*(kk) The statutory purpose of the exemption for timber cutting, removal, and processing machinery in subdivision 9741(51) of this title is to promote Vermont's commercial timber and forest products economy.*

*\* \* \* Workers' Compensation \* \* \**

*Sec. 9a. WORKERS' COMPENSATION; FORESTRY, LOGGING, AND  
AGRICULTURE; STUDY; REPORT*

*(a) The Commissioner of Financial Regulation, in consultation with the Commissioner of Labor, the Secretary of Agriculture, Food and Markets, the Commissioner of Forests, Parks, and Recreation, the National Council on Compensation Insurance, and other interested stakeholders, shall identify and study occupations in Vermont's forestry, logging, and agriculture sectors that experience a high risk of workplace and on-the-job injuries and whose workers' compensation insurance is characterized by high premiums and few policy holders in the insurance pool. In particular, the Commissioner shall:*

*(1) examine differences in the potential for loss, premium rates, and experience and participation in the workers' compensation marketplace between the identified occupations and the average for all industries and occupations in Vermont;*

*(2) study potential methods for reducing workers' compensation premium rates and costs for the identified occupations, without diminishing the rights and benefits of injured workers, including risk pooling between multiple high-risk industries or occupations, creating self-insured trusts, creating voluntary safety certification programs, and programs or best practices employed by other states; and*

*(3) model the potential impact on workers' compensation premiums and costs from each of the methods identified pursuant to subdivision (2) of this subsection.*

*(b) On or before November 15, 2017, the Commissioner of Financial Regulation shall submit a written report to the House Committees on Agriculture and Forestry and on Commerce and Economic Development and the Senate Committees on Agriculture and on Finance regarding his or her findings and any recommendations for legislative action to reduce the workers' compensation premium rates and costs, without diminishing the rights and benefits of injured workers, for the occupations identified in the study.*

*\* \* \* Repeals \* \* \**

*Sec. 10. REPEALS*

*The following are repealed on July 1, 2023:*

*(1) 10 V.S.A. chapter 15, subchapter 4 (Rural Economic Development Team);*

*(2) 3 V.S.A. § 2822(i)(2) (anaerobic digesters; air contaminant fee); and*

(3) 6 V.S.A. § 4828(d) (phosphorus removal grant criteria).

*\* \* \* Effective Dates \* \* \**

*Sec. 11. EFFECTIVE DATES*

*This section and Sec. 3 (Vermont Milk Commission) shall take effect on passage. All other sections shall take effect on July 1, 2017.*