

Section-by Section Summary: S.135
An act relating to promoting economic development

As Passed House - Unofficial
(highlights reflect changes to As Passed Senate)

Table of Contents

Secs. A.1-A.2: Vermont Employment Growth Incentive Program (VEGI)

Sec. B.1: Rural Economic Development Infrastructure Districts

Secs. C.1-C.2 Green Mountain Secure Retirement Plan

Secs. D.1-D.2: VOSHA and Workers' Compensation

Secs. E.1-E.5: Workforce Development

Sec. F.1: ~~Vermont Minimum Wage Study~~ Benefit Cliff Report

Sec. G.1: Financial Technology

Secs. H.1-**H.11**: Housing

Sec. I.1: Sales and Use Tax; Repeal of Sunset; Aircraft and Aircraft Parts

Secs. J-J.10: Tax Increment Financing Districts

Secs. K.1-K.3: Climate Economy Business Accelerator Program; Conference

Secs. L.1-L.2: Microbusiness Development Program and Financial Education

**Secs. M.1-M.3: Funding Priorities; Small Business Development Center; Economic
Development Marketing; Wood Products Manufacturer Incentive**

Summary

Secs. A.1-A.2: Vermont Employment Growth Incentive Program (VEGI)

Sec. A.1 – multiple amendments to 32 VSA chapter 105, the chapter that governs the VEGI program:

1. § 3332(b)(3) – requires VEPC to find, to finally approve an application, that the business is not a party to, or complies with the terms of, an administrative order, consent decree, or judicial order; and that the business complies with Vermont laws and regulations.

2. § 3334(f) – adds a “purpose” statement for the enhanced incentive for a business in a qualifying labor market area

3. § 3335(c) – adds a “purpose” statement for the enhanced incentive for an environmental technology business (“Green VEGI”)

4. § 3339 – authorizes Department of Taxes to recapture incentives paid if a business falsely attests compliance with Vermont law during the application or claims process

Sec. A.2 - Moves language in statute that says the Department of Taxes can disclose to VEPC the tax information necessary for VEPC and Tax to perform their duties under VEGI statute.

Sec. B.1: Rural Economic Development Infrastructure Districts

Enables the formation of special municipal districts to finance, own, and maintain infrastructure that provides economic development opportunities in rural and under-resourced areas of the State, including areas within one or more municipalities. Specifically, provides mechanisms for public and private partnerships, including opportunities for tax-incentivized financing and voluntary citizen engagement, to help overcome density and economic hardship.

Secs. C.1-C.2: Green Mountain Secure Retirement Plan

Sec. C.1 - Directs Vermont to adopt and implement a multiple employer plan public retirement plan called the Green Mountain Secure Retirement Plan, a Multiple Employer Plan (MEP) available on a voluntary basis to employers with 50 or fewer employees who do not offer a retirement plan, and to self-employed persons, pursuant to a specific proposal to be developed by the Public Retirement Study Committee pursuant to Sec. C.2. Adds to the provisions concerning the board that oversees the MEP: the requirement that the employer member be an employer with 50 or fewer employees who does not offer a retirement plan; the duty to annually report to the House and Senate Government Operations Committees concerning the Plan; and that members may receive per diem compensation if not otherwise compensated by another source.

Sec. C.2 - Amends 2016 Acts and Resolves No. 157, Sec. F.1, establishing the interim study on the feasibility of establishing a public retirement plan and creating the Public Retirement Study Committee. This section charges the Committee with developing specific recommendations concerning the design, creation, and implementation of the Plan, as well as studying and making specific recommendations concerning: access to a marketplace for private sector retirement plans and options available to individuals ineligible to participate in the Plan; options for paying the costs of the Plan if operational costs exceed revenues; and methods to increase participation in the MEP if participation is low after three years.

Secs. D.1-D.2: VOSHA and Workers' Compensation

Sec. D.1 – raises civil penalties for VOSHA violations to match the amounts now required under federal law

Sec. D.2 – lowers the employers' contribution to the workers compensation fund

Secs. E.1-E.2: Workforce Development

E.1 – directs Commissioner of Labor to coordinate a comprehensive workforce development strategy within and across State government

E.2 – authorizes funding from the Workforce Education and Training Fund, in collaboration with the Agency of Education, for career training and planning for younger Vermonters, beginning in middle school. Specifies that K-12 school districts and supervisory unions are among eligible recipients of WETF funds.

E.3 – Authorizes the Secretary of Administration to create within the Agency of Education the position of Career Pathways Coordinator, who will serve directly under the State Director for Career Technical Education, and whose duties include: serving as the interagency point person for the development of a State-approved Career Pathways System; addressing funding, governance, and access to career technical education in Vermont; and developing necessary data, indicators, and outcomes to evaluate success of the system.

E.4 – Heating Fuel and Service Workforce Training Pilot Project. Directs Department of Labor, in collaboration with regional CTE Centers and the Vermont Fuel Dealers Association, to establish the Pilot Project using available private, State, and federal funding. Under the Project, the partners, with Adult Tech Ed providers, will organize informational meetings and identify training candidates; train selected candidates; and increase workforce needed in this sector. DOL and employers each agree to pay 50% of training provided by VFDA in partnership with CTE Centers.

E.5 – CTE Dual Enrollment Memoranda of Understanding. Directs Agency of Education to assist UVM and State Colleges in developing MOU with regional CTE Centers to expand the recognition of academic and technical course work completed by students in CTE programs by UVM and the Vermont State Colleges.

Sec. F.1: ~~Minimum Wage Study~~ Benefit Cliff Report

F.1 – ~~creates a minimum wage study committee composed of six legislators, and identifies specific subjects that the committee will research and submit a report~~

Directs Commissioner of Children and Families, in consultation with JFO, to evaluate the State's public benefit structure and recommend methods for mitigating or eliminating the benefit cliffs experienced by working Vermonters receiving public assistance.

Sec. G.1: Financial Technology Study

Directs the Vermont Law Schools Center for Legal Innovation, in collaboration with the Commissioner of Financial Regulation, Secretary of ACCD, and Attorney General, to study and report on risks and rewards of development in financial technology, a policy direction, and goals and outcomes for success.

H.1–H.11: Housing Provisions

Sec. H.1: Outreach to Municipalities

Directs the Agency of Natural Resources to conduct an outreach campaign to municipalities to make them aware of the opportunity, under current law (10 V.S.A. § 1976), to be delegated the authority from ANR over permitting for water and sewer connections.

Sec. H.2 – Definition of Affordable Housing for Local Land Use Law (24 V.S.A. Chapter 117)

Defines “affordable housing” for owner-occupied housing as affordable to a household (30% of income) that earns 120% of the area median income, as defined by HUD. Current law is 80% of area median income for owner-occupied housing.

Secs. H.3-H.6 – Act 250 - Priority Housing Projects

Sec. H.3 exempts from Act 250 jurisdiction priority housing projects in municipalities of 10,000 people or more; but those projects may be required to get a permit under certain circumstances, such as when the project involves the demolition of buildings listed on the State or National Register of Historic Places.

This section also amends the definition of “mixed income housing” by changing the duration of affordability for rental housing to not less than 15 years, and it amends the definition of “affordable housing” by changing the income requirements within the definition, including increasing the income ceiling for owner-occupied housing from 80 to 120 percent. **House makes technical drafting change.**

Sec. H.4 clarifies that if any designation (not just a downtown development district designation) is removed, Act 250 permitting requirements will apply to any subsequent substantial change to a priority housing project that originally was exempt because of the designation.

H.4 also clarifies that no permit or permit amendment is required for a priority housing project, in a designated center other than a downtown development district, that (1) stays below any applicable thresholds set forth in 10 V.S.A. § 6001(3)(A)(iv)(I), and (2) complies with the conditions of any existing permit or permit amendment for the tract(s) on which the project will be located.

Sec. H.5 allows the District Commission to authorize an amendment to the conditions of a permit or permit amendment for the projects mentioned in Sec. H.4, without notice and a hearing, if all parties or their successors in interest consent to the proposed changes.

If any of the parties does not consent to the changes, the applicant for the amendment must submit a permit application, and review of the application is limited to the changes that did not receive the consent of the parties. **House makes technical drafting change.**

Sec. H.6 establishes a new section within Title 30 that requires priority housing projects as defined under Act 250 (10 V.S.A. § 6001) to meet or exceed the stretch codes established by the Department of Public Service.

Sec. H.7: Publication of Median Household Data

Directs the Department of Housing and Community Development, with VHFA, to publish data and eligibility incomes and costs for affordable housing.

Secs. H.8-H.9: Downtown Tax Credits

Sec. H.8. Increases the annual amount of tax credits available from \$2,200,000.00 to \$2,400,000.00.

Sec. H.9. Changes claim period to provide that a developer can claim the tax credit at any time before the completion of the project (rather than any time up to one year after the completion).

Sec. H.10: Tax Credit for Affordable Housing – Captive Insurance Participation

Allows captive insurance companies to apply tax certificates purchased under this VHFA program against their captive insurance premium tax liability.

Sec. H.11: Vermont State Housing Authority; Powers

Expands governing statute to allow VSHA to work with regional or other partners to apply to HUD for approval to administer housing subsidies as a group, new entity or association, or as a contractor of one of those.

Sec. I.1: Sales and Use Tax; Repeal of Sunset; Airplanes and Parts

Repeals the sunset for a sales and use tax exemption for: (1) aircraft sold to businesses engaged in air commerce; and (2) parts, equipment, and machinery to be installed in any aircraft.

Secs. J–J.9: Tax Increment Financing Districts

These sections propose amendments to statutory provisions governing the creation and approval of tax increment financing districts by:

- (1) lifting the statutory “cap” on TIF districts and allowing two additional districts;
- (2) requiring a municipality with an approved district to commit a 100 percent share of the municipal increment;
- (3) requiring the Emergency Board annually to determine the amount of forgone revenue to the Education Fund as a result of TIF districts and recommend the maximum amount of indebtedness that would be prudent for the State to incur each year for TIF districts;
- (4) modifying the criteria on which the Vermont Economic Progress Council approves new districts; and
- (5) creating a new municipal-only TIF district that may only use municipal increment, and not statewide education property tax increment, for infrastructure improvements.

Sec. J – Finding that the State of Vermont has an important role to play in creating the infrastructure necessary to support downtown development and revitalization, particularly in distressed communities.

Sec. J.1 – 24 V.S.A. § 1892

(d) Strikes the prohibition on approving new TIF districts and adds the South Burlington TIF to the list of historical districts approved to date.

(e) Adds language to allow the General Assembly to use the E-Board's annual recommendation on the prudent amount of long-term debt that should be incurred for TIF districts when determining whether to expand the number of TIF districts each year.

Sec. J.2 – Additional TIF Districts; Findings; Approval

(a) **Finding** that the TIF district in Newport has been retired, and the TIF district in Colchester has been dissolved.

(b) Authorizes VEPC to approve two additional TIF districts to replace the two districts that have been terminated.

Sec. J.3 – 24 V.S.A. § 1894 requires that a municipality with an approved district must retain 100 percent of its municipal tax increment to service indebtedness it incurs to finance the district.

Sec. J.4 – 32 V.S.A. § 305b

(a) requires the Emergency Board to adopt an official estimate of forgone revenue from the Education Fund resulting from the retention of education property tax increment each year.

(b) requires the Emergency Board annually to recommend a prudent amount of long-term debt that should be incurred for TIF districts in the next fiscal year.

Sec. J.5 – 16 V.S.A. § 4025 adds one-half of the official estimate of forgone revenue from the Education Fund adopted by the E-Board to the General Fund transfer to the Education Fund each year.

Sec. J6 - 32 V.S.A. § 5404a

(h)(1) – first change is to strike the “but for” analysis.

– second change provides that the review of applications should include number of units of affordable housing, if applicable to a project

(h)(3) – first change is a technical correction to add neighborhood development area (to list of other designated districts available under 24 V.S.A. chapter 76A)

– second change clarifies changes to define more clearly an area that is “economically distressed”

(h)(4) – inserts back in the “but for” test for “project criteria” since the “but for” analysis was removed in (h)(1).

– also adds potential for “rehabilitated affordable” housing as an option under project criteria, and incorporates by reference definition of “affordable housing” under 24 V.S.A. § 4303 (120 percent of median for owner-occupied; 80 percent of median for rental)

Sec. J.7 – 24 V.S.A. chapter 53, subchapter 5 redesignates the TIF chapter in Title 24 to apply to “Statewide Tax Increment Financing.”

Sec. J.8 – 24 V.S.A. chapter 53, subchapter 6 creates a new subchapter for “Municipal Tax Increment Financing” to permit a municipality to create a TIF district that only uses municipal tax increment to fund infrastructure improvements. Under this TIF structure, the legislative body of a municipality considers and approves a tax increment financing plan, and no VEPC approval is required. A municipality is also prohibited from using education property tax increment to fund the project.

Sec. J.9 – Implementation - Makes changes to certain TIF statutes in this act (J.1–J.3 and J.6) applicable only to applications filed, and districts approved on or after passage.

Sec. 10 – TIF Capacity Study

Directs the Joint Fiscal Office, with the assistance of the consulting Legislative Economist, the Department of Taxes, and Agency of Commerce and Community Development, shall examine the use of tax increment financing districts (TIFs) and report on the capacity of Vermont to utilize TIFs moving forward. The report shall recommend a sustainable capacity level for TIFs statewide and identify factors for permitting TIFs, including:

- (1) the impact of TIFs on the State fiscal health, including the General Fund and Education Fund;
- (2) the economic development impacts on the State, both positive and negative;
- (3) the mechanics for ensuring geographic diversity of TIFs throughout the State; and
- (4) the parameters of TIFs in other states.

Secs. K.1-K.3: Climate Economy Business Accelerator Program

Sec. K.1 - Findings and purpose

Sec. K.2 – Adds 10 V.S.A. § 331, which authorizes the Vermont Sustainable Jobs Fund to design and implement the Program, the purpose of which is to assemble program partners and participants of at least 10 start-up and early stage businesses in the climate economy sector to participate in an intensive three- to four-month program of training, mentoring, and investment opportunities.

Sec. K.3 - Authorizes ACCD, in collaboration with the Center for Entrepreneurial Programs at Castleton University, to convene the first annual “Business Incubator and Accelerator Conference.”

Secs. L.1-L.2: Opportunity Economy Investments

Sec. L.1 – Microbusiness Development Programs. Includes findings concerning the programs and a statement of intent to provide funding, subject to available resources.

Sec. L.2 – Financial Education; Coaching; Credit-Building Services. Includes findings concerning financial capability programs at the Community Action Agencies and a statement of intent to provide funding, subject to available resources.

Secs. M.1-M.3: Economic Development Funding Priorities

Sec. M.1 – Small Business Development Center. Includes statement of intent to provide funding, subject to available resources, for the purpose of increasing the number of SBDC business advisors, with priority to underserved regions of the State.

Sec. M.2 – Economic Development Marketing. Authorizes Agency of Commerce and Community Development to use available funds to implement the Department of Economic Development’s economic development marketing plan.

Sec. M.3 – Wood products manufacturer’s incentive claim period – extends period to claim incentive to include tax years 2017 and 2018.

N.1. Effective Dates – all effective July 1, 2017, except TIF sections (on passage).