



STATE OF VERMONT
GENERAL ASSEMBLY
HOUSE COMMITTEE ON COMMERCE
AND ECONOMIC DEVELOPMENT

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MEMORANDUM

To: Rep. Mitzi Johnson, Chair, House Committee on Appropriations

From: Rep. Bill Botzow, Chair, House Committee on Commerce and Economic Development

Date: March 13, 2015

Subject: Review of Provisions in the Governor's Proposed FY 2016 Budget

On behalf of the Committee on Commerce and Economic Development, I sincerely thank you and the Committee on Appropriations for the opportunity to review the provisions of the Governor's proposed FY 2016 Budget that fall under the policy jurisdiction of this Committee. Each of us fully appreciates the difficult fiscal position Vermont faces this year, and the many difficult decisions your Committee faces as it prepares a budget.

The Committee on Commerce and Economic Development is in a unique position among other committees in that it has jurisdiction over multiple government agencies, departments, and programs whose primary purpose is to support the businesses and employees who generate much of the revenue of the State. In its deliberations, this Committee has been guided by a core principle: to grow the Vermont economy, we must invest adequate resources in the Vermont economy. As a State government, we have the duty to provide leadership, targeted resources, and effective public policy.

Unfortunately as a State our funding priorities have moved in the opposite direction in recent years. The proposed FY 2016 budget for the Agency of Commerce and Community Development from the FY 2015 budget adjustment is reduced by over 15%, and the Agency's budget has seen a near 2% decline over the past five years. In fact, from 2002 to 2015, the Agency's share of the total State budget has fallen from 17% to 12%.

We have a duty to ensure that employees receive necessary education and training, and employers have the skilled workforce they need to thrive. We have a duty to sustain our established industries, such as captive insurance, and to cultivate new industries by supporting broadband and the innovative businesses that rely on modern technological infrastructure. We have a duty to support an innovative economy and the entrepreneurs who represent the future of Vermont business. And we have a duty to market our State effectively—regionally, nationally,

and internationally—both through tourism marketing aimed at prospective travelers who import significant revenue into Vermont, and through economic development marketing aimed at prospective employers, employees, and students.

Accordingly, in response to your request to review the following provisions of the budget and provide recommendations, we respectfully submit the following:

1. Next Generation; Appropriations and Transfers

Sec. B.1100 NEXT GENERATION; APPROPRIATIONS AND TRANSFERS

(a) In fiscal year 2016, \$3,293,000 is appropriated or transferred from the Next Generation Initiative Fund created in 16 V.S.A. § 2887 as prescribed:

(1) Workforce education and training. The amount of \$1,577,500 as follows:

(A) Workforce Education and Training Fund (WETF). The amount of \$1,017,500 is transferred to the Vermont Workforce Education and Training Fund created in 10 V.S.A. § 543 and subsequently appropriated to the Department of Labor for workforce education and training. Up to seven percent of the funds may be used for administration of the program. Of this amount, \$350,000 shall be allocated for competitive grants for internships through the Vermont Career Internship Program pursuant to 10 V.S.A. § 544.

(B) Adult Technical Education Programs. The amount of \$360,000 is appropriated to the Department of Labor in consultation with the State Workforce Investment Board. This appropriation is for the purpose of awarding competitive grants to regional technical centers and high schools to provide adult technical education, as that term is defined in 16 V.S.A. § 1522, to unemployed and underemployed Vermont adults.

(C) The amount of \$200,000 is appropriated to the Agency of Commerce and Community Development to issue performance grants to the University of Vermont and the Vermont Center for Emerging Technologies for patent development and commercialization of technology and to enhance the development of high technology businesses and Next Generation employment opportunities throughout Vermont.

(2) Loan repayment. The amount of \$471,000 as follows:

(A) Health care loan repayment. The amount of \$300,000 is appropriated to the Agency of Human Services – Global Commitment for the Department of Health to use for health care loan repayment. The Department shall use these funds for a grant to the Area Health Education Centers (AHEC) for repayment of commercial or governmental loans for postsecondary health-care-related education or training owed by persons living and working in Vermont in the health care field.

(B) Large animal veterinarians' loan forgiveness. The amount of \$30,000 is appropriated to the Agency of Agriculture, Food and Markets for a loan forgiveness program for large animal veterinarians pursuant to 6 V.S.A. § 20.

(C) Science Technology Engineering and Math (STEM) incentive. The amount of \$141,000 is appropriated to the Agency of Commerce and Community Development for an incentive payment pursuant to 2011 Acts and Resolves No. 52, Sec. 6.

(3) Scholarships and grants. The amount of \$1,244,500 as follows:

(A) Nondegree VSAC grants. The amount of \$494,500 is appropriated to the Vermont Student Assistance Corporation. These funds shall be for the purpose of providing nondegree grants to Vermonters to improve job skills and increase overall employability, enabling them to enroll in a postsecondary education or training program, including adult technical education that is not part of a degree or accredited certificate program. A portion of these funds shall be

used for grants for indirect educational expenses to students enrolled in training programs. The grants shall not exceed \$3,000 per student. None of these funds shall be used for administrative overhead.

(B) National Guard Educational Assistance. The amount of \$150,000 is appropriated to Military – administration to be transferred to the Vermont Student Assistance Corporation for the National Guard Educational Assistance Program established in 16 V.S.A. § 2856.

(C) Dual enrollment programs. The amount of \$600,000 is appropriated to the Vermont State Colleges for dual enrollment programs consistent with 16 V.S.A. Sec. 944. The State Colleges shall develop a voucher program that will allow Vermont students to attend programs at a postsecondary institution other than the State College system when the student will be better served at a non-State college or when available programs are not geographically suited to student need.

Sec. B.1100.1 DEPARTMENT OF LABOR RECOMMENDATION FOR FISCAL YEAR 2017
NEXT GENERATION FUND DISTRIBUTION

(a) The Department of Labor, in coordination with the Agency of Commerce and Community Development, the Agency of Human Services, and the Agency of Education, and in consultation with the State Workforce Investment Board, shall recommend to the Governor no later than December 1, 2015 how \$3,293,000 from the Next Generation Fund should be allocated or appropriated in fiscal year 2017 to provide maximum benefit to workforce education and training, participation in secondary or postsecondary education by underrepresented groups, and support for promising economic sectors in Vermont. The State Agencies and Departments listed herein shall promote actively and publicly the availability of the funds to eligible entities.

The Committee began its review of the appropriations in this provision by revisiting the language in the December 2006 report of the Next Generation Commission and in 2007 Acts and Resolves No. 46, which implemented many of the report's recommendations. At its core, No. 46 recognized the critical connection between economic development, workforce training, and education—that the present and future economic prosperity of Vermont can largely be defined by the extent to which Vermont employers are connected to a highly educated, trained, and skilled workforce. Together these Vermont businesses and the Vermont workforce represent a significant source of the State's tax revenues and provide a pathway into prosperity.

Through this lens, the members of the Committee individually reviewed and prioritized each of the proposed appropriations through the Next Generation Fund. These programs provide the support necessary to achieve the goals of the Next Generation Initiative and are critical for a vital workforce and vibrant economy. Therefore, with the following change, the Committee strongly supports the Governor's recommendations for Next Generation funding, and places highest priority on appropriations for the Workforce Education and Training Fund, adult technical education, and dual enrollment¹:

(C) Dual enrollment programs. The amount of \$600,000 is appropriated to the Agency of Education as the program manager for dual enrollment programs consistent with 16 V.S.A.

¹ The Committee is aware of the error in the Governor's budget, which includes the health care loan repayment funding, in subdivision (a)(2)(A) above. The Committee disregards that provision for purposes of its recommendations and this memo.

§ 944(e). The Agency of Education shall manage a voucher program that will allow eligible Vermont students to attend courses at a postsecondary institution approved by the Agency of Education.

2. Executive Branch Position Authorizations

Sec. E.100 EXECUTIVE BRANCH POSITION AUTHORIZATIONS

(a) The establishment of the following new permanent classified positions is authorized in fiscal year 2016 as follows:

* * *

(5) In the Department of Financial Regulation – one (1) Captives Insurance Examiner.

* * *

(7) In the Department of Public Service – two (2) Telecommunications Infrastructure Project Manager and one (1) Financial Manager.

The Committee unanimously supports the authorization of these positions.

The Captives Insurance Examiner position within the Department of Financial Regulation will ensure the Department has the requisite number of qualified examiners to uphold Vermont's position as the gold standard in captive insurance regulation. As the leading on-shore domicile in the United States, and as an international model for good government and best practices, the State should continue to support and cultivate the captive insurance industry and the critical personnel within the Department of Financial Regulation. Finally, the Committee notes that this position will be funded from premium tax revenue and will not impact the General Fund.

The positions within the Department of Public Service are not only vital to expanding modern broadband infrastructure throughout the State, but also represent a cost savings and a reduced number of authorized positions over the status quo. These three positions will be reallocated from current vacancies within State government and therefore will not result in any increase in the workforce. Moreover, last year's telecom bill authorized up to six new positions. Finally, these positions will be funded through the Universal Service Fund in FY 2016, and subsequently through the Department's gross receipts tax, so there is no current or future impact on the General Fund. Finally, by moving oversight of broadband infrastructure from the Vermont Telecommunications Authority to the Department, as provided in H.117 as passed by this Committee, the State will eliminate the VTA's annual \$700,000.00 cost to the General Fund.

3. Office of Creative Economy

Sec. E.802 3 V.S.A. Sec. 2471c is amended to read:

Sec. 2471c. Office of Creative Economy; ~~Vermont Film Commission~~

(a) The Office of Creative Economy is created within the Agency of Commerce and Community Development in order to build upon the years of work and energy around creative economy initiatives in Vermont, ~~including the work of the Vermont Film Commission~~. The Office ~~shall~~ may provide business, networking, and technical support to establish, grow, and attract

enterprises involved with the creative economy, primarily focused on but not limited to such areas as film, new and emerging media, software development, and innovative commercial goods. The Office ~~shall~~ may work in collaboration with Vermont's private and public sectors, including educational institutions, to raise the profile and economic productivity of these activities.

(b) The Office ~~shall~~ may be administered by a director appointed by the Secretary pursuant to section 2454 of this title and shall be supervised by the Commissioner of ~~Housing and Community~~ Economic Development.

The Committee unanimously supports the mission and the activities of the Office of Creative Economy. The sectors the Office is involved in represent some of the most significant opportunities in Vermont for job creation, future growth, and competitive advantage. Nonetheless, as indicated by the Governor's proposal, the Agency of Commerce and Community Development does not have the resources necessary to support an independent office, nor a director to manage it.

Consequently, after discussing the role of the Office of Creative Economy and whether to preserve its authorizing language, the Committee recommends that 3 V.S.A. § 2471c be repealed. However, the Committee also recommends that the resources available to the Office remain within the Agency of Commerce and Community Development. Moreover, the Committee wishes to emphasize that the mission and activities of the Office of Creative Economy—to help cultivate the next generation of entrepreneurs and business innovators—should not only continue within the Department of Economic Development, but should permeate the culture and mission of the entire Agency.

4. Tourism and Marketing Initiative

Sec. E.806 TOURISM AND MARKETING INITIATIVE

(a) Up to 15%, but not to exceed \$750,000, of the amount of meals and rooms tax revenue for fiscal year 2016 projected at the January 20, 2015 Emergency Board meeting as part of the revenue forecast pursuant to 32 V.S.A. Sec 305a, that exceeds the fiscal year 2016 projection for the meals and rooms tax at the July 24, 2014 Emergency Board meeting, shall be deposited in a special fund available to the Agency of Commerce and Community Development for purposes of tourism and marketing support and promotion. This funding is contingent on a General Fund surplus at the end of fiscal year 2016 adequate to support the deposit.

The Committee supports, in the strongest possible terms, the State's role in supporting its tourism industry and in marketing its image as a great place to live and to do business. Tourism marketing and economic development marketing are core functions of State government. While private industry contributes the most significant source of funding for tourism and marketing, State funding is critical for three reasons. First, the State of Vermont is responsible for articulating and protecting its own brand identity. Second, State dollars leverage private dollars and enable the Department of Tourism and Marketing to partner with private business to expand the scope of both our message and our brand identity. Third, whereas larger industries are able to fund their own marketing campaigns and promotions, the State plays a vital role as both a source of funding and as a facilitator for collective marketing by small businesses, chambers of commerce, and regional partners.

The Committee is united in the position that the State must provide adequate, reliable, and sustained resources for tourism and marketing. Consequently, the Committee strongly recommends that the Committee on Appropriations preserve the Governor's proposed language in Sec. E. 806, and the Committee on Commerce and Economic Development be afforded the opportunity to address fully tourism and marketing in the context of its discussion on a comprehensive economic development bill expected from the Senate.

Vermont Interactive Television

It has come to our attention that the funding for Vermont Interactive Television is proposed to be eliminated. The Committee takes the position that VIT is integral to the apprenticeship program operated with Workforce Education and Training Fund dollars through the Department of Labor and should therefore be maintained.

Conclusion

The work of this Committee continues to be guided by the four goals of economic development, codified six years ago in 10 V.S.A. § 3:

- (1) Vermont's businesses, educators, nongovernmental organizations, and government form a collaborative partnership that results in a highly skilled multigenerational workforce to support and enhance business vitality and individual prosperity.*
- (2) Vermont invests in its digital, physical, and human infrastructure as the foundation for all economic development.*
- (3) Vermont state government takes advantage of its small scale to create nimble, efficient, and effective policies and regulations that support business growth and the economic prosperity of all Vermonters.*
- (4) Vermont leverages its brand and scale to encourage a diverse economy that reflects and capitalizes on our rural character, entrepreneurial people, and reputation for environmental quality.*

The Committee believes the priorities identified in the Governor's proposed budget are consistent with these goals and will have an important and positive effect on the Vermont economy. Accordingly, the Committee unanimously approves the recommendations in the Governor's budget as presented in this memorandum. We thank you again for the opportunity to review these provisions and provide recommendations to the Committee on Appropriations, and we thank you in advance for your consideration.