TO THE HOUSE OF REPRESENTATIVES:

The Committee on Economic Development, Housing and General Affairs to which was referred Senate Bill No. 34 entitled "An act relating to cross-promoting development incentives and State policy goals" respectfully reports that it has considered the same and recommends that the House propose to the Senate that the bill be amended by striking out all after the enacting clause and inserting in lieu thereof the following:

* * *Rural Economic Development Initiative* * *

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

§ 325m. RURAL ECONOMIC DEVELOPMENT INITIATIVE

(a) Definitions. As used in this subchapter:

(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 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 Initiative to promote and facilitate community economic development in the small towns and rural areas of the State. The Rural Economic Development Initiative shall collaborate with municipalities, businesses, regional development corporations, and other appropriate entities to access funding and other assistance available to small towns and businesses in rural areas of the State when existing State resources or staffing assistance is not available.

(c) Services; access to funding.

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

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

(B) technical assistance to small towns and businesses in 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.

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

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

implementation. Priority shall also be given to projects identified through community visits hosted by the Vermont Council on Rural Development or other public engagement planning processes.

(3) In identifying businesses, or business types, the Rural Economic Development Initiative 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.

(d) Report. Beginning on January 31, 2018, and annually thereafter, the Rural Economic Development Initiative 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 Initiative. The report shall include:

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

(2) an evaluation of the effectiveness of the services provided to small towns and businesses in rural areas;

(3) an accounting of the grants or other funding facilitated or provided assistance with;

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

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

Sec. 2. RURAL ECONOMIC DEVELOPMENT INITIATIVE

In fiscal year 2018, it is the intent of the General Assembly to make funding available to the Vermont Housing and Conservation Board for the purposes of implementing and administering the Rural Economic Development Initiative 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:

(A) Review the current status of the milk market and expected trends in pricing and cost of the production for the dairy farming and processing industries.

(B) Assess, in consultation with interested parties and other states, the proposed federal Farm Bill for 2018 and recommend to the Vermont congressional delegation inclusion, deletion, or amendment of language to the federal legislation.

(C) Review and assess dairy marketing programs in the State that require specific production methods or limitations in order to determine whether these programs provide farmers with opportunities for pricing premiums. The Commission shall include review of marketing programs for organic milk, GMO free milk, grass based dairy, and sustainable agriculture programs

(b)(1) 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.

(2) The Vermont Milk Commission may:

(A) Collaborate with interested parties, including other Northeastern states, to assess the proposed federal Farm Bill 2018 and develop recommendations or positions on the proposed federal legislation. The recommendations or positions shall be designed to provide farmers with:

(i) adequate risk management protection; and

(ii) adequate funding for water quality infrastructure improvement.

(B) Submit a proposed recommendations or positions on the federal Farm Bill 2018 to the Senate Committee on Agriculture and the House Committee on Agriculture and Forestry on or before February 15, 2018.

(3) The Vermont Milk Commission shall:

(A) Review the current status of the milk market and expected trends in pricing and cost of the production for the dairy farming and processing industries.

(B) Review and assess dairy marketing programs in the State that require specific production methods or limitations in order to determine whether these programs provide farmers with opportunities for pricing premiums. The Commission shall include review of marketing programs for organic milk, GMO free milk, grass based dairy, and sustainable agriculture programs.

(C) submit to the Senate Committee on Agriculture and the House Committee on Agriculture and Forestry a summary of the status of the dairy industry in Vermont and a summary of market opportunities for pricing premiums in the region and the State.

(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.

Sec. 4. FUNDING; VERMONT MILK COMMISSION

In fiscal year 2018, it is the intent of the General Assembly to make funding available to the Agency of Agriculture, Food and Markets for the purposes of reconvening the Vermont Milk Commission as required under Sec. 3 of this act.

* * * Development Cabinet * * *

Sec. 5. 3 V.S.A. § 2293 is amended to read:

§ 2293. DEVELOPMENT CABINET

(a) Legislative purpose. T he General Assembly deems it prudent to establish a permanent and formal mechanism to assure 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 environment, all in a manner set forth in this section.

(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.

<u>(B)</u> 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)<u>(A)</u> The Development Cabinet may establish interagency work groups to support its mission, drawing membership from any agency or department of State government.

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

<u>(C)</u> 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.

* * *

<u>(g) Cross promotion of development programs. It is within the authority of the Executive Branch to manage a process of continuous improvement for agency and statewide programs and operations. While undertaking these efforts, the Executive Branch shall ensure state loan, grant, and other incentive programs to cross-promote relevant State policies, including the adoption of</u>

renewable energy, rural economic development, public access to conserved lands, and water quality improvements.

* * * Energy Efficiency * * *

Sec. 6. REPORT; ENERGY EFFICIENCY CHARGE; COMMERCIAL AND INDUSTRIAL CUSTOMERS

(a) Report. On or before January 15, 2018, the Commissioner of Public Service (the Commissioner) shall submit a report with recommendations as described in subsection (b) of this section.

(1) In preparing the report, the Commissioner shall consult with the Secretary of Commerce and Community Development, the energy efficiency utilities (EEU) appointed under 30 V.S.A. § 209(d)(2), the regional development corporations, the Public Service Board, and other affected persons.

(2) The Commissioner shall submit the report to the Senate Committees on Finance, on Natural Resources and Energy, and on Agriculture and the House Committees on Ways and Means, on Energy and Technology, and on Agriculture and Forestry.

(b) The report shall provide the Commissioner's recommendations on:

(1) Whether and how to increase the use by commercial and industrial customers of self-administered efficiency programs under 30 V.S.A. § 209(d) and (j), including:

(A) Potential methods and incentives to increase participation in self administration of energy efficiency, including:

(i) Potential changes to the eligibility criteria for existing programs.

(ii) Use of performance-based structures.

(iii) Self administration of energy efficiency by a commercial and industrial customer, with payment of an energy efficiency charge (EEC) amount only for technical assistance by an EEU, if the customer demonstrates that it possesses in-house expertise that supports such self administration and implements energy efficiency measures that the customer demonstrates are cost-effective and save energy at a benefit-cost ratio similar to the EEU.

(B) The potential inclusion of such methods and incentives in EEU demand resource plans,

(C) Periodic reporting by the EEUs of participation rates in self administration of energy efficiency by commercial and industrial customers located in the small towns in the State's rural areas. As used in this subdivision (C):

(i) "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.

(ii) "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.

(2) The potential establishment of a multi-year pilot program that allows a category of commercial and industrial customers to apply the total amount of their Energy Efficiency Charge (EEC), for the period of the pilot, to investments that reduce the customer's total energy consumption.

(A) The goal of such a program would be to significantly reduce all energy costs for the customer, and to transform the energy profile of the customer such that significant savings would be generated and endure over the long term. Customers in the program would receive the full amount of their EEC contributions, for the period of the pilot, in the form of direct services and incentives provided by an EEU, which would consider how to cost-effectively lower customers' bills across electric, heating, transportation, and process fuels using energy efficiency, demand management, energy storage, fuel switching, and on-site renewable energy.

(B) In the report, the Commissioner shall consider:

(i) the definition of eligible commercial and industrial customers;

(ii) the potential establishment and implementation of such a program in a manner similar to an economic development rate for the EEU;

(iii) the interaction of such a program with the existing programs for self-managed energy efficiency under 30 V.S.A. § 209(d), including the Energy Savings Account, Self-Managed Energy Efficiency, and Customer Credit Programs;

(iv) the benefits and costs of such a program, including:

(I) a reduction in the operating costs of participating customers;

(II) the effect on job retention and creation and on economic development;

(III) the effect on greenhouse gas emissions;

(IV) the effect on system-wide efficiency benefits that would otherwise be obtained with the EEC funds, such as avoided supply costs, avoided transmission and distribution costs, avoided regional network service charges, and lost revenues from the regional forward-capacity market,

(V) the potential impact on commercial and industrial customers that may not be eligible to participate in such a program;

(VI) the extent to which such a program may result in cost shifts or subsidization among rate classes, and methods for avoiding or mitigating these effects;

(VII) the effect on the budgets developed through the demand resource planning process;

(VIII) the costs of administration;

(IX) any other benefits and costs of the potential program.

(v) The consistency of such a program with least-cost planning as defined in 30 V.S.A. § 218c; with State energy goals and policy set forth in 10 V.S.A. §§ 578, 580, and 581 and 30 V.S.A. §§ 202a and 218e; and with the State energy plans adopted pursuant to 30 V.S.A. §§ 202 and 202b.

(c) The report submitted under this section shall include a proposed timeline to phase in the recommendations contained in the report. In developing this timeline, the Commissioner shall consider the impact to the established budgets of the EEUs, the regulatory requirements applicable to the EEUs, and the value of rapid implementation of the recommendations.

Sec. 7. 30 V.S.A. § 209(d)(3) is amended to read:

(3) Energy efficiency charge; regulated fuels. In addition to its existing authority, the Board may establish by order or rule a volumetric charge to customers for the support of energy efficiency programs that meet the requirements of section 218c of this title, with due consideration to the State's energy policy under section 202a of this title and to its energy and economic policy interests under section 218e of this title to maintain and enhance the State's economic vitality. The charge shall be known as the energy efficiency charge, shall be shown separately on each customer's bill, and shall be paid to a fund administrator appointed by the Board and deposited into an Electric Efficiency Fund. When such a charge is shown, notice as to how to obtain

information about energy efficiency programs approved under this section shall be provided in a manner directed by the Board. This notice shall include, at a minimum, a toll-free telephone number, and to the extent feasible shall be on the customer’s bill and near the energy efficiency charge.

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* * * Environmental Permitting * * *

Sec. 6. EVIRONMENTAL PERMITTING; AIR CONTAMINANT FEES; ANAEROBIC DIGESTION

<u>On or before January 15, 2018, the Secretary of Natural Resources shall report to House Committees on Agriculture and Forestry and on Natural Resources, Fish and Wildlife and the Senate Committees on Agriculture and on Natural Resources with a recommendation for reducing or eliminating the air contaminant fee paid by farmers for the emissions from the anaerobic digestion of agricultural products, agricultural by-products, agricultural waste, or food waste. The report shall include a summary of what services the Agency of Natural Resources provided to owners of anaerobic digestors.</u>

* * * 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; Sales Tax Exemption * * *

Sec. 8. FORESTRY EQUIPMENT; SALES TAX EXEMPTION

On or before January 15, 2018, the Commissioner of Taxes shall submit to the House Committees on Agriculture and Forestry and on Ways and Means and the Senate Committees on Agriculture and Finance recommended draft legislation for exempting from forestry harvesting and processing equipment from the sales and use tax imposed under 32 V.S.A. § 9741 and 32 V.S.A. § 9773.

(Committee vote: ___________)

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Representative ___________

FOR THE COMMITTEE