# Vermont Legislative Joint Fiscal Office

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## *FISCAL NOTE*

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## S. 135 An Act Relating to Promoting Economic Development (REVISED)

*As amended by the House Committee on Ways and Means*

(sections with a state fiscal impact)

### Sec. A1 VEGI Approval Criteria, Enhanced Incentives in a Qualifying LMA, Recapture and Confidentiality

The proposed changes in these sections would not have a fiscal impact, but they help clarify the confidentiality language as it applies to the Joint Fiscal Office. The Ways and Means amendment reverts to current law.

### Sec. C.2 Interim Public Retirement Plan Study Committee is revised

This is an existing committee with five members who may potentially receive per diems, mileage and travel expenses. According to the Treasurer, none of the current members have asked for reimbursement to-date, and if it is paid in the future, the funding is from the Treasurer's budget.

### Sec. D.1 Increases the Penalties for Worker's Compensation and VOSHA Violations

The state does not forecast or increase revenue estimates for penalties. These are being increased to match federally mandated levels.

### Sec. D.2 Worker's Compensation Administration Fund

This worker's compensation administrative rate is set each year by the legislature at a level sufficient to fund the administrative costs of the Worker's Compensation program. The percentage is reduced from 1.75% to 1.4% of calendar year premiums for worker's compensation insurance paid by businesses. The 1.4% is estimated to raise $2,744,000 in FY 2018 to administer the program or $686,000 less than the current law rate.

### Sec. E.3 Career Pathways Coordinator

This allows for the creation of the position of a Career Pathways Coordinator within AOE. There is no funding for the position.

### Sec. H.8 & H.9 Downtown Tax Credit and Affordable Housing Tax Credit

Increases the total amount awarded annually by $200,000 from $2.2 million to $2.4 million and requires application for the credit before completion of the project. This will increase the foregone tax expenditure revenue in FY 2018 by $200,000.

The following section allows the affordable housing tax credits to be additionally utilized against the captive insurance premiums tax. This does not increase the total amount of tax credits awarded, but offers additional ways for businesses to utilize the credit.

**Sec. I.1. Aircraft Exemption Repeal Sunset**
This section eliminates the sunset (July 1, 2018) on the current sales and use tax exemption for the purchase of commercial aircraft and the parts, machinery and equipment installed in both commercial and civil aircraft. This will not change the existing estimated cost of under $100,000 annually.

**Sections J – J.9 Tax Increment Financing Districts**
(Ways and Means Committee Amendments) These sections:

- Removes the moratorium on new TIF districts
- Allow for two additional districts approved by VEPC to replace two existing TIFs that are no longer active/utilized
- Allows the legislature to determine if there is capacity for additional TIF districts based on recommendations from the E-Board.
- Requires the E-Board to adopt the amount of foregone EF revenue each year from TIF and determine the capacity for additional TIFs each year and requires that the GF transfer to the EF (FY19) be increased by 1/2 of the foregone TIF cost
- Removes the "but for" criteria for the VEPC Board when evaluating TIF applications; refines the definition of an economically distressed area, and requires municipalities to contribute 100% of their municipal increment to the TIF financing
- Allows for municipal-only TIFs without VEPC approval

The average amount of Education Fund incremental revenue foregone, by VEPC approved TIFs, over the 20 year retention period is projected to be $1.5 million per TIF per year. This ranges from a high of $5.6 million for the largest approved TIF in its final year to a low of $68,000 for the smallest TIF in its first year. These figures are all in current dollars.

In FY 2018, the existing TIFs in aggregate are estimated to retain $7.4 million of Education Fund revenue for financing, therefore if the provision to increase the GF transfer by 1/2 the amount of foregone revenue were in place the increase would be $3.7 million approximately.

**Sec. K - Climate Economy Accelerator Program; L - Microbusiness Development Program; and M - Small Business Development Center**
These sections outline these programs but do not appropriate FY 2018 funding.

**M.3 Wood Products Manufacture Incentive payment**
This extends the time period for two additional years, 2017 and 2018, that an applicant may have to claim a payment for up to $150,000. These funds have not been claimed in past years nor were they reverted.