

TO THE HONORABLE SENATE

The Committee on Finance to which was referred Senate Bill No. S. 34 entitled "An act relating to cross-promoting development incentives and State policy goals."

respectfully report that they have considered the same and recommend that the bill be amended as recommended by the Committee on Agriculture with the following amendments thereto:

First: By striking out Sec. 5 in its entirety and inserting in lieu thereof the following:

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.

Second: By striking out Sec. 6 in its entirety and inserting in lieu thereof the following:

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.

Third: By striking out Sec. 8 in its entirety and inserting in lieu thereof the following:

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.

Fourth: By striking out Sec. 10 in its entirety and inserting in lieu thereof

the following:

Sec. 10. REPEALS

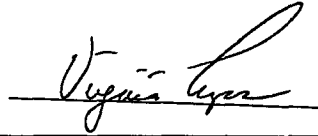
The following are repealed on July 1, 2023:

(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).

(Committee vote: 6-0-1)



Senator Lyons
FOR THE COMMITTEE

TO THE HONORABLE SENATE

The Committee on Agriculture to which was referred Senate Bill No. S. 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 bill be amended by striking out all after the enacting clause and inserting in lieu thereof the following:

* * * 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, \$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. 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. 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.

* * *

(B) The charge established by the Board pursuant to this subdivision (3) shall be in an amount determined by the Board by rule or order that is consistent with the principles of least-cost integrated planning as defined in section 218c of this title.

(i) As circumstances and programs evolve, the amount of the charge shall be reviewed for unrealized energy efficiency potential and shall be adjusted as necessary in order to realize all reasonably available, cost-effective, energy efficiency savings.

(ii) In setting the amount of the charge and its allocation, the Board shall determine an appropriate balance among the following objectives; provided, however, that particular emphasis shall be accorded to the first four of these objectives: reducing the size of future power purchases; reducing the generation of greenhouse gases; limiting the need to upgrade the State's transmission and distribution infrastructure; minimizing the costs of electricity; reducing Vermont's total energy demand, consumption, and expenditures; providing efficiency and conservation as a part of a comprehensive resource supply strategy; providing the opportunity for all Vermonters to participate in efficiency and conservation programs; and targeting efficiency and conservation efforts to locations, markets, or customers where they may provide the greatest value.

(iii) The Board, by rule or order, shall establish a process by which a customer who pays an average annual energy efficiency charge under this subdivision (3) of at least \$5,000.00 may apply to the Board to self-administer energy efficiency through the use of an energy savings account, which shall contain a percentage of the customer's energy efficiency charge payments as determined by the Board. The remaining portion of the charge shall be used for systemwide energy benefits. The Board in its rules or order shall establish criteria for approval of these applications.

(iv) For one three-year period, the customer for the account of a manufacturing facility located in an industrial park in a small town or rural

area may apply to self-administer energy efficiency programs and measures in lieu of paying the energy efficiency charge on the account.

(I) As used in this subdivision (I), "rural area," "small town," and "industrial park" shall have the same meaning as set forth in 10 V.S.A. § 325m.

(II) A customer seeking approval under this subdivision (iv) shall agree to invest, over a three-year period, an average annual dollar amount on cost-effective energy programs and measures equivalent to:

(aa) 75 percent of its most recent annual energy efficiency charge amount; or

(bb) if the customer has not previously paid an annual energy efficiency charge, 75 percent of the customer's estimated net annual kilowatt hours to be consumed multiplied by the applicable energy efficiency charge, provided that the customer shall submit to the Board the actual amount of kilowatt hours consumed in the first calendar year of self-administration so that the Board can determine if the customer shall be responsible for additional investment in energy programs and measures.

(III) Cost-effective energy programs and measures may include investment in on-site renewable generation, if cost-effective and part of a comprehensive program for the facility that includes energy efficiency measures. Annual financing payments of a cost-effective energy program or measure under this subdivision are allowable investment in calculating a customer's average investment on cost-effective energy programs or measures over a three-year period.

(IV) The Board shall develop criteria for approval of these applications.

(V) A customer shall self-administer under this subdivision for one three-year period and may not reapply for successive terms. At the conclusion of the three-year period, the customer shall pay the energy efficiency charge as part of the customer's electric bill.

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* * * Environmental Permitting * * *

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

§ 2822. BUDGET AND REPORT; POWERS

* * *

(h)(1) The Secretary shall reduce the fee for a permit or permit renewal under this section by 25 percent when the activity subject to the permit is located in an industrial park in a small town or rural area.

(2) If a fee for a stormwater permit or permit renewal is assessed on a per acre basis under subdivision (j)(2)(A) or (B) of this section, the maximum total fee for the permit shall be \$7,500.00 if the permitted activity is located in an industrial park in a small town or rural area.

(3) As used in this subdivision (I), "rural area," "small town," and "industrial park" shall have the same meaning as set forth in 10 V.S.A. § 325m.

(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.

* * *

(50) Compost, animal manure, manipulated animal manure, and planting mix when any of these items are sold in bulk. As used in this section, the term "sold in bulk" shall mean sold in a form that is not prepackaged, or sold in a packaged form in volumes greater than one cubic yard.

(51) Machinery, equipment, implements, accessories, parts, and contrivances used predominantly in the commercial cutting, removal, or processing of timber or other solid wood forest products intended to be sold

ultimately at retail, including: grapple and cable skidders; feller bunchers; cut-to-length processors; forwarders; delimiters; loader slashers; log loaders; skid steer loaders; tracked excavators; bulldozers; whole tree chippers; stationary screening systems; and firewood processors, elevators, and screens; but excluding tracked vehicles subject to subdivision (38) of this section. As used in this subdivision, the term "predominantly" means 75 percent or more of the time the machinery or equipment is in use.

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.

* * * 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) 30 V.S.A. § 209(d)(3)(B)(iv) (self administration of electric efficiency charge; industrial parks);

(3) 3 V.S.A. § 2822(h) (ANR fees in industrial parks) and (i)(2) (anaerobic digesters; air contaminant fee); and

(4) 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.

(Committee vote: 5-0-0)



Senator Pollina
FOR THE COMMITTEE