



STATE OF VERMONT
OFFICE OF THE STATE AUDITOR

To: Senate Committee on Economic Development, Housing and General Affairs

Date: 1 March 2017

Re: 17-0673 - An act relating to an omnibus economic development bill

Having discussed VEGI enhanced incentives during my testimony yesterday, I want to offer some additional thoughts about the Green VEGI provision (32 V.S.A. § 3335). VEPC's ACT 157 Policy Review addressed the issue and said this:

*"Without the enhancements, the likely result would have been fewer applications and thereby fewer jobs and investment in the environmental technology sector."*¹

VEPC provided no evidence to support this statement. Notwithstanding data limitations, ACCD attempted to measure Green job growth.

"An analysis of employment data by Ken Jones, Policy Analyst [ACCD] indicates that employment in most of the areas in the Environmental Technology definition has either declined or remained stable over the past ten years."

In fact, this misrepresents Mr. Jones' findings in Appendix 3 (see the table below). Of the eight categories, three grew significantly (but were not mentioned by VEPC), two were stable, and two had no data. Only one declined, and that was because the period covered included the recession.

Industry Sub-Group	Outcome
Environmental consulting	84% job growth and wages tripled
Energy efficiency & conservation	"Significant growth" - VEIC revenues grew 4X; weatherization "several fold" growth and large growth in renewables
Waste management ¹	7% (2005 – 2015) vs. 25% (2010 - 2015)
Wastewater mgmt. ²	"Stable" - Used municipal wastewater employment
Hazardous waste mgmt.	"Near constant" - Used solid waste mgmt.
Air pollution	No data
Soil & groundwater protection	No data
Water quality protection ³	"Declined" - Private sector water & sewer construction '05 - '15

1. Using changes from 2005 to 2015 was not optimal because it included the worst recession in 75 years. Better to use 2010 to 2015. The difference is dramatic and may be in some of the other groups as well.

2. Muni activity tied largely to pop. growth. Without it, no new jobs. Not a good indicator, but cited to support VEPC's position.

3. The surrogate (priv. sector water & sewer line construction) suffered from the housing-related impacts of the recession.

¹ All quotes from VEPC's Act 157 Report.

I think the report's misrepresentation of the data was intended to buttress the idea that there is a need for the Green VEGI enhancement, which is not necessarily supported by the data.

It is also noteworthy that some of the growth in this sector is the direct result of state policy (e.g., weatherization, efficiency utility, renewables, etc.). This raises questions about both the enhanced incentive and the "but for" itself. VEPC acknowledged the role of state policy, but failed to follow the logic.

"In fact, one can argue that because of the policies adopted by the State of Vermont, [environmental technology] is a burgeoning industry poised for growth in the near future. For example, in the past, Vermont policies helped accelerate the growth of solar businesses. The next opportunity may be in clean water technologies to help the State meet its mandated Lake Champlain clean-up goals. Eliminating this enhancement would be counter-productive as it contributes to the creation of new jobs in these sectors."

VEPC is trying to take credit for jobs created at least in part as a result of state policy, but there is no way for my office to determine VEGI's role, if any. If the State spends hundreds of millions on the Lake over the next two decades, why do we need to provide millions more in incentives for some of the businesses paid to do the work? Green VEGI has already cost millions. I encourage you to revisit the issue.