

Vermont Employment Growth Incentive

Report Required by Section A.3 of Act 69 (2017)

Submitted by the Agency of Commerce and Community Development

September 1, 2017

Report Requirement:

Act 69 (S.135 of 2017)

“Sec. A.3. VERMONT EMPLOYMENT GROWTH INCENTIVE; WAGE REPORTING; RECOMMENDATION

On or before January 15, 2018, the Agency of Commerce and Community Development, in collaboration with the Department of Labor, shall submit to the House Committee on Commerce and Economic Development and the Senate Committee on Economic Development, Housing and General Affairs a report concerning the Vermont Employment Growth Incentive Program specifying means by which the Vermont Economic Progress Council can report aggregate information on the wages and benefits for jobs created through the Program.”

Current Data Collection:

The Vermont Employment Growth Incentive (VEGI) program is administered jointly by the Vermont Economic Progress Council (VEPC) and the Vermont Department of Taxes. VEPC has an Executive Director, one staff, and a voting board of eleven appointed by the Governor (9 members), the Speaker of the House (1 member) and the Senate Committee on Committees (1 member). VEPC staff are housed at, and receive administrative support from, the Agency of Commerce and Community Development.

VEPC accepts, processes and considers VEGI applications in accordance with 32 V.S.A. §§ 3330-3336. Approximately 60% of VEPC staff and Council time is spent on VEGI applications. The Department of Taxes, utilizing 100% of the time of one full-time staff person and the equivalent of 10 to 20 percent of another full-time employee in the Taxpayer Services Division, receives and examines annual VEGI claims in accordance with 32 V.S.A. §§ 3337-3339 and approves or denies payment of the incentive installments.

VEGI applications and claims are filed utilizing an online application platform called Intelligrants. The system is firewalled and password protected and provides a business process flow. It allows applicants to efficiently complete and submit VEGI applications and annual claims so that program staff can review and move the documents through the process while capturing critical data. The system uses *forms* to capture data that are stored in a program database for query and retrieval. However, for complicated data sets, MS Excel *workbooks* are completed by applicants and claimants and uploaded to the system. The data in these MS Excel workbooks do not become part of the program database. Totals from the workbooks are entered on application and claims forms, but not the detail contained in the workbooks. The detail contained in these workbooks is

utilized by program staff to check and prove the totals entered by the applicant on the forms.

For the VEGI application, the following data is entered on forms, becomes part of the program database, and can be queried and retrieved:

- Historic and projected payroll;
- Historic and projected headcount;
- Projected capital investments; and
- Benefits currently offered to employees and projected to be offered to new employees (type and percent paid by employer).

For the annual VEGI claim, the following data is entered on forms, becomes part of the program database, and can be queried and retrieved:

- Base payroll amount;
- Base number of qualifying employees;
- Owner payroll;
- Part-time payroll;
- Full-time non-qualifying payroll;
- New number of qualifying employees;
- New qualifying payroll paid;
- New annualized qualifying payroll;
- Capital investments by category;
- Benefits ratio;
- Benefits offered to new qualifying employees (type and percentage paid by employer)

Current Reporting:

Currently, in accordance with 32 V.S.A. §3340, VEPC and the Vermont Department of Taxes file a joint annual report on the program. To view the reports, go to:

<http://accd.vermont.gov/economic-development/funding-incentives/vegi>

The reports include the following data:

- Actual Economic Impact of the program through the latest claim year
- Application volume through the latest full calendar year
- Application pipeline data
- List of all applications to the program, including status
- Projected economic activity, including number of jobs, amount of new qualifying payroll, and capital investments and projected program impact including all jobs and net revenue benefit
- Program and LMA Enhancement cap data
- Detail on application status including terminations and rescissions
- Projected wages and benefits
- Claim activity
- Projected *and* actual employment, payroll creation, capital investments, and revenue benefit to the state, by year, in chart and graph formats
- Graphic presentation of the following *projected* data:
 - Wage levels
 - Job types
 - Percent of health care benefit paid by employer
 - Size of business at time of application
 - Type of economic development project
 - Type of facility expansion
 - Population and income by County
 - Incentive distribution by County, by number of applications
 - Incentive distribution by County, by dollar amount
 - Job creation by County

Discussion of Options:

Benefits Data:

Using the data collected on the benefits form, which is currently one of the VEGI Annual Claim forms completed during the VEGI claim process, VEPC or Tax staff can query and aggregate the actual benefits information and include a summary in the VEGI Annual Report. The summary would look like the following chart, which is based on 2015 claims, and could be included in the VEGI annual report:

EMPLOYEE BENEFITS				
OFFERED TO NEW QUALIFYING JOBS CREATED THROUGH THE VEGI PROGRAM				
CLAIM YEAR:	2015			
TOTAL CLAIMANTS:	26			
AVERAGE BENEFITS RATIO: HOURLY	28%			
BENEFIT TYPE	NUMBER OF CLAIMANTS	PERCENT OF CLAIMANTS	PERCENTAGE PAID BY EMPLOYER	
	OFFERING BENEFIT	OFFERING BENEFIT	RANGE	AVERAGE
Health Care	24	92%	35%-100%	71%
Vision	6	23%	25%-90%	56%
Dental	18	69%	35%-100%	63%
Prescription	2	8%	85%-100%	93%
Life Insurance	18	69%	38%-100%	97%
Short-Term/Long-Term Disability Ins.	17	65%	100%	100%
Accidental Death/Dismemberment Ins.	8	31%	100%	100%
Retirement Contribution	14	54%		
Paid Leave (Vacation, Holiday)	26	100%		
Other Leave (Jury, Bereavement)	5	19%		
Tuition Assistance	10	38%		
Other	4	15%		

Wage Data:

Aggregated wage data is more difficult. The detail required to aggregate all individual jobs is submitted in MSEXcel workbooks that are uploaded to the Claim Forms on which the totals from the workbooks are entered by claimants. The detailed data is used by Tax Department staff during the claim examination to prove the total, check against the income tax withholding data filed by the company, and check that qualifying jobs are maintained from year to year.

One method to provide an average wage of all new jobs created would be to divide the aggregated new qualifying payroll amount by the aggregated number of new qualifying jobs created. The payroll and employee data are already reported in the VEGI Annual Report, so a simple calculation: New Qualifying Payroll/New Qualifying Employees would provide an average wage for the new qualifying jobs created. For example, using the data from the 2017 VEGI Annual Report, the data for 2015 is:

New Qualifying Payroll: \$39,172,270
 Divided by Number of New Qualifying Employees: 773
 Equals = \$ 50,682

The average wage for the new qualifying jobs created in 2015 was \$50,682.

A line can be added to the Projected and Actual Activity data chart in the Annual Report showing both the projected average wage and actual average wage based on the data that is already aggregated and reported. The Projected and Actual Activity Table (Table 6) would be augmented to add the average wage lines (highlighted) as follows:

TABLE 6: PROJECTED AND ACTUAL ACTIVITY - SUMMARY										
FOR APPLICATIONS CONSIDERED THROUGH DECEMBER 31, 2016										
Claim Activity:	2007	2008	2009	2010	2011	2012	2013	2014	2015	
Claims Expected:	7	14	22	28	34	32	34	36	39	
Incomplete Claims/Did not file/Closed:	0	4	4	6	6	2	1	3	1	
Net Claims Included in Projected and Actual Data:	7	10	18	22	28	30	33	33	38	
Projected Activity:	2007	2008	2009	2010	2011	2012	2013	2014	2015	TOTALS
New Qualifying Employees:	101	213	64	220	361	548	414	327	278	2526
New Qualifying Payroll:	\$ 3,438,000	\$ 6,942,837	\$ 3,849,800	\$ 12,703,748	\$ 16,659,450	\$ 26,325,908	\$ 18,791,423	\$ 14,482,251	\$ 13,372,683	\$ 116,566,100
Average Wage	\$ 34,040	\$ 32,595	\$ 60,153	\$ 57,744	\$ 46,148	\$ 48,040	\$ 45,390	\$ 44,288	\$ 48,103	\$ 46,278
New Qualifying Capital Investments:	\$ 13,677,077	\$ 11,786,270	\$ 14,171,000	\$ 20,763,000	\$ 63,192,599	\$ 166,153,840	\$ 133,237,344	\$ 128,593,320	\$ 28,611,664	\$ 580,186,114
Est. Incentive Installments to be Paid:	\$ 123,712	\$ 398,712	\$ 497,036	\$ 1,031,380	\$ 1,590,096	\$ 3,016,479	\$ 4,137,980	\$ 4,573,359	\$ 4,625,032	\$ 19,993,787
Net Revenue Benefit:	\$ 365,422	\$ 871,615	\$ 1,349,256	\$ 2,122,358	\$ 3,456,468	\$ 5,575,627	\$ 5,034,123	\$ 3,814,928	\$ 2,441,259	\$ 25,031,055
Actual Activity:	2007	2008	2009	2010	2011	2012	2013	2014	2015	TOTALS
New Qualifying Employees:	262	255	265	606	844	806	859	853	773	5523
New Qualifying Payroll:	\$ 10,621,976	\$ 9,214,052	\$ 16,137,468	\$ 34,555,726	\$ 54,269,760	\$ 62,298,865	\$ 55,490,232	\$ 50,955,135	\$ 39,177,270	\$ 332,720,484
Average Wage	\$ 40,542	\$ 36,134	\$ 60,896	\$ 57,023	\$ 64,301	\$ 77,294	\$ 64,599	\$ 59,736	\$ 50,682	\$ 56,801
New Qualifying Capital Investments:	\$ 22,546,350	\$ 13,388,586	\$ 28,100,875	\$ 47,475,449	\$ 121,412,913	\$ 262,489,273	\$ 128,030,075	\$ 59,241,141	\$ 88,946,890	\$ 771,631,552
Incentives Paid to Companies:	\$ 208,653	\$ 544,110	\$ 654,370	\$ 1,249,733	\$ 1,852,263	\$ 2,903,935	\$ 3,751,728	\$ 4,217,057	\$ 3,473,616	\$ 18,855,465
Net Revenue Benefit:	\$ 947,900	\$ 969,800	\$ 1,020,000	\$ -	\$ 2,937,700					

A second, but much more time-consuming method, would be to manually aggregate the detailed employment data contained in the MSEXcel workbooks that are uploaded with each claim. The employment workbooks contain the following data for each individual new qualifying employee added each year:

- Position title
- Employee name
- Last four of social security
- Dates of employment
- Number of days employed
- Wages from W2
- Hourly Wage
- Annualized wage
- Days worked ratio
- Hours worked

The Tax Department examiner would have to aggregate the wage data for each company for the year being reported, then aggregate the data from all companies to get the same data that can be obtained through the simple calculation suggested above.

A sample aggregation exercise was performed that indicated that the task to aggregate this data each year would take a minimum of 4-6 hours. That time commitment would increase each year as the number of claims increases. This task would take the Tax Department examiner away from examining annual claims, which is already laborious and time-consuming. To ensure that claims are examined and paid in a timely manner, the Tax Department would likely have to add a temporary examiner for the time of year when claims are filed and annual report data compiled.

The sample aggregation of wages for each individual job resulted in the same average wage result as calculating the average wage using the simplified method suggested above.

Recommendation:

After consultation with the Department of Labor, VEPC, and the Department of Taxes, the Agency of Commerce and Community Development makes the following recommendation:

That VEPC and the Tax Department add a chart of actual benefits offered to new qualifying employees by authorized companies in the annual report showing:

- the benefits offered to new qualifying employees;
- the number of approved companies offering each benefit type listed; and
- the average percent of the benefit premium paid by the employer for benefits with a premium.

These data can be queried and reported from Intelligrants system using the annual claim forms submitted by VEGI claimants.

Further, we recommend that VEPC and the Tax Department add two lines to the Projected and Actual Activity Summary (Table 6) in the VEGI Annual Report. Using the projected data, divide the Projected New Qualifying Payroll by the Projected New Qualifying Employees to show an average wage for each year. Then using the data of actual payroll and jobs, add a line showing the actual average wage by dividing the Actual New Qualifying Payroll by the Actual New Qualifying Employees for each year.