

# Vermont Legislative Joint Fiscal Office

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## Draft FISCAL NOTE

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### **S.34 An Act Relating to Cross-Promoting Development Incentives and State Policy Goals**

#### *Sec. 1-2 Rural Economic Development Team*

These two sections establish and fund a rural economic development team within the Vermont Housing and Conservation Board (VHCB). Individual positions are not created in this bill. The positions on the team would be funded through an appropriation of \$200,000 in FY 2018 from the Vermont Housing and Conservation Fund. This appropriation would create pressure on either VHCB or the General Fund to make cuts in other areas in order to spend on the newly created Rural Economic Development Team. This provision would sunset on July 1, 2023. **Cost: \$200k FY18 General Fund or Special Fund and up to \$400k annually**

#### *Sec. 3 Vermont Milk Commission*

This section reconvenes the Vermont Milk Commission in order to create an amendment or replacement for the existing Milk Marketing Order. The existing statute authorizes 8 members of the committee not including the Secretary of Agriculture, Food and Markets (2 Legislative and 6 public). This estimate assumes five total meetings prior to the January 15, 2018 deadline for submitting a proposal to the Legislature. **Cost: \$5-6k FY18 General Fund**

#### *Sec. 5 Energy Efficiency Charge*

Manufacturing facilities located in “industrial parks” within a “small town” or “rural area” as defined in 10 VSA §325m (definitions to be established in this bill) would be eligible to self-administer energy efficiency programs in lieu of paying the energy efficiency charge (EEC) for one three-year period. The facility would need to invest the equivalent of 75% of its most recent EEC amount or 75% of the estimated electrical consumption in net kilowatt hours if the facility had not previously made an energy efficiency payment. The language would apply to the entire State of Vermont outside of any cities and towns in the Burlington – South Burlington Metropolitan Statistical Area (Chittenden, Franklin and Grand Isle Counties) that have over 5,000 residents. There are eleven communities<sup>1</sup> that exceed this threshold and would not be eligible for this program or any of the programs in this bill with the same requirements.

Per Statute, the State is not allowed to retain any piece of the Energy Efficiency Charge to fund general State operations. The Public Service Department does retain a small portion in order to perform ongoing evaluations of energy efficiency utilities (EEU). EEU budgets are established every three years and the charge is set annually. If certain facilities are allowed to opt out of the charge in FY 2018 then the charge may be increased based on an existing budget and could require higher payments from remaining EEC payers. Once a new three-year budget is

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<sup>1</sup> Burlington, South Burlington, Winooski, Essex, Colchester, Milton, Williston, Shelburne, Swanton, St. Albans City and St. Albans Town

established, the potential reduction in EEC revenues would primarily impact EEUs until the repeal date of this provision, which is set at July 1, 2023.

**Cost: No direct impact to the State estimated at this time**

#### *Sec. 6 Department of Environmental Conservation (DEC) Permitting Fees*

This section of the bill would alter DEC's fee collection capabilities in the following ways:

1. All fees falling under 3 VSA §2822 would be discounted by 25% for projects located in "industrial parks" within a "small town" or "rural area" as defined in 10 VSA §325m. DEC does not currently track permitted developments by type of use so the number that we received only includes permits that can definitely be identified as industrial uses. This provision would sunset on July 1, 2023. **Cost: Up to \$100k annually**
2. An air contaminant source would be exempt from base registration fees and annual renewal fees relating to air pollution control permits/registrations under 3 VSA §2822(j)(1)(A) and (B) if the source is from anaerobic digestion of certain types of products. DEC currently registers 15 digester projects on an annual basis that would be exempt from paying air contaminant fees going forward, as would any future digester projects. This provision would sunset on July 1, 2023. **Cost: approximately \$50k Special Fund annually**
3. A maximum permit fee of \$7,500 would apply to storm water permits and permit renewals levied on a "per acre" basis under 3 VSA §2822(j)(2)(A) or (B). This provision would apply only to "industrial parks" within a "small town" or "rural area" as defined in 10 VSA §325m. The requirement that impervious surfaces exceeding 3 acres be registered with DEC, per Act 64 of 2015, has not yet gone into effect. The current impervious surface size needed to require a permit under these provisions is 62 acres and there is only one permitted facility, which would not meet the "small town" or "rural area" requirement needed to be eligible for this reduction. This provision would sunset on July 1, 2023. **Cost: None in FY18, but potentially significant foregone fee revenues in future years when the impervious surface registration requirement is expanded.**

#### *Sec. 8-9 Forestry Equipment Sales Tax*

This section would establish a sales tax exemption for the purchase of equipment to be used for the commercial cutting or removal of timber. The exemption would only apply if the equipment will be used predominately for commercial purposes (75% or more of the time). Data for the sales of the specific types of timber machinery and equipment listed in this bill is limited. The cost estimate given reflects the cost of exempting "capital expenditures"<sup>2</sup> from the sales tax, and which reflects an analysis using data from the Census' Annual Capital Expenditure Survey, the Bureau of Economic Analysis and from the Vermont Department of Labor. **Cost: approximately \$100k annually - 65% General Fund and 35% Education Fund**

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<sup>2</sup> From the Census.gov "Glossary of Terms," a capital expenditure includes the following, "...New and used machinery and equipment used for replacement and additions to plant capacity, if they are of the type for which depreciation, depletion, or (for mining establishments) Office of Minerals Exploration accounts are ordinarily maintained. In addition, for mining establishments, these data include expenditures made during the year for development and exploration of mineral properties..."