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S.162

Introduced by Committee on Economic Development, Housing and General

Affairs

Date: March 19, 2019

Subject: Commerce and trade; economic development

Statement of purpose of bill as introduced: This bill proposes to adopt
miscellaneous proposals to promote economic development, including
proposals concerning workforce recruitment and the Vermont Employment
Growth Incentive Program.

An act relating to promoting economic development

It is hereby enacted by the General Assembly of the State of Vermont:

~~*** Recruitment and Relocation ***~~

Sec. 1. 3 V.S.A. § 2476 is amended to read:

§ 2476. DEPARTMENT OF TOURISM AND MARKETING

~~***~~

(c) Economic development marketing. The Department shall be
responsible for the promotion of Vermont as great place to live, work, and do
business in order to increase the benefits of economic development marketing,
~~including.~~

1 ~~omic development marketing initiatives and also to provide ongoing feedback~~
2 to the Department on the effectiveness of its initiatives.

3 Sec. 2. NEW WORKER RELOCATION INCENTIVE PROGRAM

4 (a) The Agency of Commerce and Community Development shall design
5 and implement the New Worker Relocation Incentive Program, which shall
6 include a simple certification process to certify new workers and certify
7 qualifying expenses for a grant under this section.

8 (b) A new worker may be eligible for a grant under the Program for
9 qualifying expenses in the amount of not more than \$7,500.00, consistent with
10 the following limitations, and subject to available funding and procedures the
11 Agency adopts to implement the program.

12 (1) A base grant for relocation to any area in Vermont shall be
13 \$5,000.00.

14 (2) A grant for relocation to a designated labor market area may be
15 enhanced, not to exceed \$7,500.00.

16 (3) The Agency shall assess applications on a rolling basis and give first
17 priority, at any point in the application process, to workers in identified
18 priority sectors, which may include health care, early child care and learning,
19 lodging and restaurant industry, manufacturing, technology, and construction
20 trades.

1 ~~(4) A new worker may apply for a grant beginning January 1, 2020 and~~
2 ~~shall be paid when proof of residency and income tax liability reaches the~~
3 ~~equivalent of the amount claimed.~~

4 ~~(5) A remote worker may apply for a grant under the Program when all~~
5 ~~funds from the New Remote Worker Grant Program created in 2018 Acts and~~
6 ~~Resolves No. 197, Sec. 1 are encumbered.~~

7 ~~(c) The Agency shall:~~

8 ~~(1) adopt procedures for implementing the Program;~~

9 ~~(2) promote awareness of the Program, including through coordination~~
10 ~~with relevant trade groups and by integration into the Agency's economic~~
11 ~~development marketing campaigns; and~~

12 ~~(3) adopt measurable goals, performance measures, and an audit~~
13 ~~strategy to assess the utilization and performance of the Program.~~

14 ~~(d) As used in this section:~~

15 ~~(1) "New worker" means an individual who:~~

16 ~~(A)(i) is a full-time employee of a business with its domicile or~~
17 ~~primary place of business outside Vermont and performs the majority of his or~~
18 ~~her employment duties remotely from a home office or a coworking space~~
19 ~~located in this State; or~~

1 ~~(ii) is a full-time employee of a business located in Vermont and~~

2 ~~(B) becomes a full-time resident of this State on or after January 1,~~
3 ~~2020.~~

4 ~~(2) "Qualifying expenses" mean actual costs that a new worker incurs~~
5 ~~for:~~

6 ~~(A) moving expenses;~~

7 ~~(B) repayment of student loan debt;~~

8 ~~(C) down payment assistance; and~~

9 ~~(D) initial rental deposits.~~

10 ~~(e) On or before October 1, 2020, the Agency shall submit a report to the~~
11 ~~House Committee on Commerce and Economic Development and the Senate~~
12 ~~Committee on Economic Development, Housing and General Affairs~~
13 ~~concerning the implementation of this section, including:~~

14 ~~(1) a description of the procedures adopted to implement the Program;~~

15 ~~(2) the promotion and marketing of the Program;~~

16 ~~(3) any additional recommendations for qualifying new worker~~

17 ~~expenses or qualifying workers that should be eligible under the Program, and~~

18 ~~(4) any recommendations for the maximum amount of the grant.~~

~~Sec. 2. APPROPRIATIONS, WORKFORCE RECRUITMENT~~

~~In fiscal year 2020, the amount of \$2,000,000.00 is appropriated from the General Fund to the Agency of Commerce and Community Development to design and implement a New Worker Relocation Incentive Program as follows:~~

~~(1) The Agency shall use not more than \$500,000.00 to identify, recruit, and provide relocation assistance to workers, including:~~

~~(A) identifying target audiences;~~

~~(B) targeting through digital and social media;~~

~~(C) executing the State's core Economic Development Marketing Plan through paid, owned, and earned media, utilizing technology, data, and analysis tools; and~~

~~(D) implementing strategies that convert visitors to residents and awarding grants for regional partnerships to help recruitment efforts at the local and regional levels.~~

~~(2) The Agency shall use not more than \$1,500,000.00 to provide incentives that assist workers and families relocating to Vermont under the New Worker Relocation Incentive Program created in Sec. 2 of this act.~~

1 * * * Vermont Employment Growth Incentive Program * * *

2 Sec. 4. 32 V.S.A. chapter 105, subchapter 2 is amended to read:

3 Subchapter 2: Vermont Employment Growth Incentive Program

4 § 3330. PURPOSE; FORM OF INCENTIVES; ENHANCED INCENTIVES;

5 ELIGIBLE APPLICANT

6 (a) Purpose. The purpose of the Vermont Employment Growth Incentive
7 Program is to generate net new revenue to the State by encouraging a business
8 to add new payroll, create new jobs, and make new capital investments and
9 sharing a portion of the revenue with the business.

10 (b) Form of incentives; enhanced incentives.

11 (1) The Vermont Economic Progress Council may approve an incentive
12 under this subchapter in the form of a direct cash payment, which may be paid
13 in annual installments or in a lump-sum payment as provided in section 3337
14 of this title.

15 (2) The Council may approve the following enhanced incentives:

16 (A) an enhanced incentive for a business in a labor market area with
17 higher than average unemployment or lower than average wages pursuant to
18 section 3334 of this title;

19 (B) an enhanced incentive for an environmental technology business
20 pursuant to section 3335 of this title, and

1 ~~(C) an enhanced incentive for a business that participates in a State~~
2 ~~workforce training program~~ a small business, start-up business, or mission-
3 based business pursuant to section 3336 of this title.

4 (c) Eligible applicant. Only a business may apply for an incentive pursuant
5 to this subchapter.

6 * * *

7 § 3333. CALCULATING THE VALUE OF AN INCENTIVE

8 Except as otherwise provided for an enhanced incentive for a business in a
9 qualifying labor market area under section 3334 of this title, an enhanced
10 incentive for an environmental technology business under section 3335 of this
11 title, or an enhanced incentive for ~~workforce training~~ a small business, start-up
12 business, or mission-based business under section 3336 of this title, the

13 Council shall calculate the value of an incentive for an award year as follows:

14 (1) Calculate new revenue growth. To calculate new revenue growth,
15 the Council shall use the cost-benefit model created pursuant to section 3326
16 of this title to determine the amount by which the new revenue generated by
17 the proposed economic activity to the State exceeds the costs of the activity to
18 the State.

19 (2) Calculate the business's potential share of new revenue growth.

20 Except as otherwise provided for an environmental technology business in

21 ~~section 3335 of this title~~ or an enhanced incentive for a small business, start up

1 ~~business, or mission-based business under section 3336 of this title, to~~

2 calculate the business's potential share of new revenue growth, the Council
3 shall multiply the new revenue growth determined under subdivision (1) of
4 this subsection by 80 percent.

5 (3) Calculate the incentive percentage. To calculate the incentive
6 percentage, the Council shall divide the business's potential share of new
7 revenue growth by the sum of the business's annual payroll performance
8 requirements.

9 (4) Calculate qualifying payroll. To calculate qualifying payroll, the
10 Council shall subtract from the payroll performance requirement the projected
11 value of background growth in payroll for the proposed economic activity.

12 (5) Calculate the value of the incentive. To calculate the value of the
13 incentive, the Council shall multiply qualifying payroll by the incentive
14 percentage.

15 (6) Calculate the amount of the annual installment payments. To
16 calculate the amount of the annual installment payments, the Council shall:

17 (A) divide the value of the incentive by five; and

18 (B) adjust the value of the first installment payment so that it is
19 proportional to the actual number of days that new qualifying employees are
20 employed in the first year of hire.

21

~~9994. ENHANCED INCENTIVE FOR A BUSINESS IN A QUALIFYING~~

LABOR MARKET AREA

(a) The Council may increase the value of an incentive for a business that is located in a labor market area in which:

(1) the average annual unemployment rate is greater than the average annual unemployment rate for the State; or

(2) the average annual wage is less than the average annual wage for the State.

(b) In each calendar year, the amount by which the Council may increase the value of all incentives pursuant to this section is:

(1) ~~\$1,500,000.00~~ \$2,000,000.00 for one or more initial approvals; and

(2) ~~\$1,000,000.00~~ \$1,500,000.00 for one or more final approvals.

(c) The Council may increase the cap imposed in subdivision (b)(2) of this section by not more than \$500,000.00 upon application by the Governor to, and approval of, the Joint Fiscal Committee.

(d) In evaluating the Governor's request, the Committee shall consider the economic and fiscal condition of the State, including recent revenue forecasts and budget projections.

(e) The Council shall provide the Committee with testimony,

~~documentation, company specific data, and any other information the~~

1 ~~Committee requests to demonstrate that increasing the cap will create an~~
2 opportunity for return on investment to the State.

3 (f) The purpose of the enhanced incentive for a business in a qualifying
4 labor market area is to increase job growth in economically disadvantaged
5 regions of the State, as provided in subsection (a) of this section.

6 § 3335. ENHANCED INCENTIVE FOR ENVIRONMENTAL
7 TECHNOLOGY BUSINESS

8 (a) As used in this section, an “environmental technology business” means
9 a business that:

10 (1) is subject to income taxation in Vermont; and

11 (2) seeks an incentive for economic activity in Vermont that the
12 Secretary of Commerce and Community Development certifies is primarily
13 research, design, engineering, development, or manufacturing related to one or
14 more of the following:

15 (A) waste management, including waste collection, treatment,
16 disposal, reduction, recycling, and remediation;

17 (B) natural resource protection and management, including water and
18 wastewater purification and treatment, air pollution control and prevention or
19 remediation, soil and groundwater protection or remediation, and hazardous
20 waste control or remediation;

21 ~~(C) energy efficiency or conservation;~~

1 ~~(D) clean energy, including solar, wind, wave, hydro, geothermal,~~
2 ~~hydrogen, fuel cells, waste-to-energy, or biomass; and~~

3 ~~(E) the reduction of water pollution, including the reduction of~~
4 ~~sediment and reduction of pollution by harmful nutrients such as phosphorus~~
5 ~~and nitrogen, and other activities supporting the goals of the Vermont Clean~~
6 ~~Water Act, 2015 Acts and Resolves No. 64.~~

7 * * *

8 § 3336. ENHANCED INCENTIVE FOR ~~WORKFORCE TRAINING~~

9 ~~SMALL BUSINESS, START-UP BUSINESS, AND MISSION-~~
10 ~~BASED BUSINESS~~

11 ~~(a) A business whose application is approved may elect to claim the~~
12 ~~incentive specified for an award year as an enhanced training incentive by:~~

13 ~~(1) notifying the Council of its intent to pursue an enhanced training~~
14 ~~incentive and dedicate its incentive funds to training through the Vermont~~
15 ~~Training Program; and~~

16 ~~(2) applying for a grant from the Vermont Training Program to perform~~
17 ~~training for one or more new employees who hold qualifying jobs.~~

18 ~~(b) If a business is awarded a grant for training under this section, the~~
19 ~~Agency of Commerce and Community Development shall disburse grant funds~~
20 ~~for on the job training of 75 percent of wages for each employee in training or~~

1 ~~75 percent of trainer expense, and the business shall be responsible for the~~
2 ~~remaining 25 percent of the applicable training costs.~~

3 ~~(c) A business that successfully completes its training shall submit a written~~
4 ~~certificate of completion to the Agency of Commerce and Community~~
5 ~~Development which shall notify the Department of Taxes.~~

6 ~~(d) Upon notification by the Agency, and if the Department determines that~~
7 ~~the business has earned the incentive for the award year, it shall:~~

8 ~~(1) disburse to the business a payment in an amount equal to 25 percent~~
9 ~~of the cost for training expenses pursuant to subsection (b) of this section;~~

10 ~~(2) disburse to the Agency of Commerce and Community Development~~
11 ~~a payment in an amount equal to 25 percent of the cost for training expenses~~
12 ~~pursuant to subsection (b) of this section; and~~

13 ~~(3) disburse the remaining value of the incentive in annual installments~~
14 ~~pursuant to section 3337 of this title.~~

15 ~~(a) As used in this section:~~

16 ~~(1) “Mission-based business” means a business that at the time of~~
17 ~~application is one of the following:~~

18 ~~(A) a domestic limited liability company that has elected to be a low-~~
19 ~~profit limited liability company and meets the requirements specified in~~

20 ~~11 V.S.A. § 4162,~~

1 ~~(B) a domestic business corporation that has elected to be a benefit~~
2 ~~corporation and meets the requirements of 11A V.S.A. chapter 21; or~~

3 ~~(C) a foreign business organization that has elected a form and meets~~
4 ~~the applicable statutory requirements of the foreign jurisdiction, which the~~
5 ~~Secretary determines are substantially similar to the form and requirements for~~
6 ~~a domestic low-profit limited liability company or benefit corporation.~~

7 ~~(2) "Small business" means a business that at the time of application has~~
8 ~~19 or fewer full-time employees in Vermont.~~

9 ~~(3) "Start-up business" means a business:~~

10 ~~(A) established within one year of the date of application; or~~

11 ~~(B) that had no full-time employees at the time of application.~~

12 ~~(b) The Council shall consider and administer an application from a small~~
13 ~~business, start-up business, or mission-based business pursuant to the~~
14 ~~provisions of this subchapter, except that the business's potential share of new~~
15 ~~revenue growth shall be 90 percent.~~

16 ~~(c) The purpose of the enhanced incentive for a small business, start-up~~
17 ~~business, or mission-based business is to promote the growth of these~~
18 ~~businesses in Vermont that create and sustain high-quality jobs.~~

19 § 3337. EARNING AN INCENTIVE

20 ~~(a) Earning an incentive, installment payments.~~

1 ~~(1) A business with an approved application earns the incentive~~
2 specified for an award year if, within the applicable time period provided in
3 this section, the business:

- 4 ~~(A) maintains or exceeds its base payroll and base employment;~~
5 ~~(B) meets or exceeds the payroll performance requirement specified~~
6 ~~for the award year; and~~
7 ~~(C) meets or exceeds the jobs performance requirement specified for~~
8 ~~the award year, or the capital investment performance requirement specified~~
9 ~~for the award year, or both.~~

10 ~~(2) A Subject to subdivision (3) of this subsection, a business that earns~~
11 ~~an incentive specified for an award year is eligible to receive an installment~~
12 ~~payment for the year in which it earns the incentive and for each of the next~~
13 ~~four years in which the business:~~

- 14 ~~(A) maintains or exceeds its base payroll and base employment;~~
15 ~~(B) maintains or exceeds the payroll performance requirement~~
16 ~~specified for the award year; and~~
17 ~~(C) if the business earns an incentive by meeting or exceeding the~~
18 ~~jobs performance target specified for the award year, maintains or exceeds the~~
19 ~~jobs performance requirement specified for the award year.~~

20 ~~(3)(A) A small business, as defined in section 3336 of this title, that~~
21 ~~earns an incentive specified for an award year may request to receive a lump-~~

1 ~~sum payment for 50 percent of the value of the incentive by submitting to the~~

2 Council in writing:

3 (i) a request to elect a lump-sum payment, evidence that the
4 business has a good faith need for a lump-sum payment, and evidence that
5 providing a lump-sum payment will not pose undue financial risk to the State;
6 and

7 (ii) a certification that the lump-sum payment is subject to
8 recapture if, during the four years following the year in which it earns the
9 incentive:

10 (I) the business fails to maintain its base payroll or base
11 employment;

12 (II) the business fails to maintain the payroll performance
13 requirement specified for the award year; or

14 (III) if the business earns an incentive by meeting or exceeding
15 the jobs performance target specified for the award year, the business fails to
16 maintain the jobs performance requirement specified for the award year.

17 (B) The Council may approve a request for a lump-sum payment in
18 its discretion if it finds that the business has a good faith need for a lump-sum
19 payment and that providing a lump-sum payment will not pose undue financial
20 risk to the State.

1 ~~(C) A business that receives a lump-sum payment pursuant to this~~
2 ~~section may receive the remaining 50 percent of its award in installments over~~
3 ~~the next four years, subject to the applicable provisions of this chapter~~
4 ~~concerning earning and claiming incentives and installments.~~

5 * * *

6 § 3339. RECAPTURE; REDUCTION; REPAYMENT

7 (a) Recapture.

8 (1) The Department of Taxes may recapture the value of one or more
9 installment payments or lump-sum payments a business has claimed, with
10 interest, if:

11 (A) the business fails to file a claim as required in section 3338 of
12 this title;

13 (B) during the utilization period, the business experiences:

14 (i) a 90 percent or greater reduction from base employment; or

15 (ii) if it had no jobs at the time of application, a 90 percent or
16 greater reduction from the sum of its job performance requirements; ~~or~~

17 (C) the Department determines that during the application or claims
18 process the business knowingly made a false attestation that the business:

19 (i) was not a named party to, or was in compliance with, an
20 administrative order, consent decree, or judicial order issued by the State or a
21 subdivision of the State, or

1 ~~(ii) was in compliance with State laws and regulations; or~~

2 (D) the business elects to take a lump-sum payment for an incentive
3 pursuant to subdivision 3337(a)(3) of this title and, during the four years
4 following the year in which it earned the incentive:

5 (i) the business fails to maintain its base payroll or base
6 employment;

7 (ii) the business fails to maintain the payroll performance
8 requirement specified for the award year; or

9 (iii) if the business earns an incentive by meeting or exceeding the
10 jobs performance target specified for the award year, the business fails to
11 maintain the jobs performance requirement specified for the award year.

12 * * *

13 Sec. 5. ENHANCED INCENTIVES; BACKGROUND GROWTH

14 On or before December 15, 2019, the Vermont Economic Progress Council
15 shall submit to the Senate Committee on Economic Development, Housing
16 and General Affairs and to the House Committee on Commerce and Economic
17 Development a report addressing the use of the enhanced incentives for
18 environmental technology businesses and for small, start-up, and mission-
19 based businesses in the Vermont Employment Growth Incentive Program and
20 shall specifically address the effectiveness, costs, and benefits of modifying the

1 ~~background growth rate when calculating the value of these enhanced~~
2 ~~incentives.~~

3 * * * Effective Date * * *

4 Sec. 6. EFFECTIVE DATE

5 ~~This act shall take effect on July 1, 2019.~~

* * * *Recruitment and Relocation* * * *

Sec. 1. 3 V.S.A. § 2476 is amended to read:

§ 2476. DEPARTMENT OF TOURISM AND MARKETING

* * *

(c) Economic development marketing. The Department shall be responsible for the promotion of Vermont as great place to live, work, and do business in order to increase the benefits of economic development marketing, including:

- (1) attracting additional private investment in Vermont businesses;*
- (2) recruiting new businesses;*
- (3) attracting more innovators and entrepreneurs to locate in Vermont;*
- (4) attracting, recruiting, and growing the workforce to fill existing vacancies in growing businesses and to retain workers and their families; and*
- (5) promoting and supporting Vermont businesses, goods, and services.*

* * *

Sec. 2. NEW WORKER RELOCATION INCENTIVE PROGRAM

(a) The Agency of Commerce and Community Development shall design and implement the New Worker Relocation Incentive Program, which shall include a simple certification process to certify new workers and certify qualifying expenses for a grant under this section.

(b) A new worker may be eligible for a grant under the Program for qualifying expenses in the amount of not more than \$7,500.00, consistent with the following limitations, and subject to available funding and procedures the Agency adopts to implement the program:

- (1) A base grant for relocation to any area in Vermont shall be \$5,000.00.*

(2) A grant for relocation to a designated labor market area may be enhanced, not to exceed \$7,500.00.

(3) The Agency shall assess applications on a rolling basis and give first priority, at any point in the application process, to workers in identified priority sectors, which may include health care, early child care and learning, lodging and restaurant industry, manufacturing, technology, and construction trades.

(4) A new worker may apply for a grant beginning January 1, 2020 and shall be paid when proof of residency and ~~income~~ tax liability reaches the equivalent of the amount claimed.

(5) A remote worker may apply for a grant under the Program when all funds from the New Remote Worker Grant Program created in 2018 Acts and Resolves No. 197, Sec. 1 are encumbered.

(c) The Agency shall:

(1) adopt procedures for implementing the Program;

(2) promote awareness of the Program, including through coordination with relevant trade groups and by integration into the Agency's economic development marketing campaigns; and

(3) adopt measurable goals, performance measures, and an audit strategy to assess the utilization and performance of the Program.

(d) As used in this section:

(1) "New worker" means an individual who:

(A)(i) is a full-time employee of a business with its domicile or primary place of business outside Vermont and performs the majority of his or her employment duties remotely from a home office or a coworking space located in this State; or

(ii) is a full-time employee of a business located in Vermont and

(B) becomes a full-time resident of this State on or after January 1, 2020.

(2) "Qualifying expenses" mean actual costs that a new worker incurs for:

(A) moving expenses;

(B) ~~repayment~~ payment of student loan debt;

(C) down payment assistance; and

(D) initial rental deposits.

(e) On or before October 1, 2020, the Agency shall submit a report to the House Committee on Commerce and Economic Development and the Senate Committee on Economic Development, Housing and General Affairs concerning the implementation of this section, including:

- (1) a description of the procedures adopted to implement the Program;
- (2) the promotion and marketing of the Program;
- (3) any additional recommendations for qualifying new worker expenses or qualifying workers that should be eligible under the Program, and
- (4) any recommendations for the maximum amount of the grant.

Sec. 3. DUTIES CONTINGENT UPON FUNDING

The duties imposed on the Agency of Commerce and Community Development in Sec. 2 of this act are contingent upon the appropriation of funds in fiscal year 2020 for the purposes specified.

** * * Vermont Employment Growth Incentive Program * * **

Sec. 4. REPEAL

32 V.S.A. § 3336 (enhanced incentive for workforce training) is repealed.

Sec. 5. ENHANCED INCENTIVES; BACKGROUND GROWTH; SMALL BUSINESS PARTICIPATION

On or before December 15, 2020, the Vermont Economic Progress Council shall submit to the Senate Committee on Economic Development, Housing and General Affairs and to the House Committee on Commerce and Economic Development a report addressing:

(1) the use of the enhanced incentive for environmental technology businesses in the Vermont Employment Growth Incentive Program and shall specifically address the effectiveness, costs, and benefits of modifying the background growth rate when calculating the value of the enhanced incentives; and

(2) specific recommendations for reducing the administrative burdens and other barriers to participation in the Program for small businesses.

Sec. 6. VERMONT EMPLOYMENT GROWTH INCENTIVE; STUDY

On or before January 15, 2020, the Agency of Commerce and Community Development, in consultation with the State Auditor, shall study and report to the House Committees on Commerce and Economic Development and on Ways and Means and to the Senate Committees on Economic Development, Housing and General Affairs and on Finance concerning the Vermont Employment Growth Incentive Program, specifically addressing the following:

(1) the internal controls and methods used to evaluate whether the program is working as intended;

(2) the procedures used to select, vet, and approve participants and projects;

(3) the controls and due diligence surrounding the application of the “but for” test;

(4) the specific outcomes of the Program in each year, including the net revenue gain to the State and the net increase in jobs, payroll, and capital investment; and

(5) the procedures and controls for measuring and verifying those Program outcomes.

* * * Effective Date * * *

Sec. 7. EFFECTIVE DATE

This act shall take effect on July 1, 2019.