

Vermont Enterprise Fund

Report for Calendar Year 2019



January 15, 2020

STATUTE

Act 179 of 2014

Sec. C.106.2 FISCAL YEAR 2014 ECONOMIC DEVELOPMENT TRANSFERS

- (a) In fiscal year 2014, \$5,000,000 shall be transferred from the General Fund as follows to the Vermont Enterprise Fund and is appropriated from the Vermont Enterprise Fund as follows:
- (1) \$500,000 to Vermont Economic Development Authority for loan loss reserves within the Vermont Entrepreneurial Lending Program for the purposes specified in 10 V.S.A. § 280bb as amended by Sec. F.100 of this act;
 - (2) \$4,500,000 for the purposes specified in Sec. E.100.5 of this act.

Sec. E.100.5 VERMONT ENTERPRISE FUND

- (a) There is created a Vermont Enterprise Fund, the sums of which may be used by the Governor, with the approval of the Emergency Board, for the purpose of making economic and financial resources available to businesses facing circumstances that necessitate State government support and response more rapidly than would otherwise be available from, or that would be in addition to, other economic incentives.
- (b) (1) The Fund shall be administered by the Commissioner of Finance and Management as a special fund under the provisions of chapter 7, subchapter 5 of this title.
- (2) The Fund shall contain any amounts transferred or appropriated to it by the General Assembly.
- (3) Interest earned on the Fund and any balance remaining at the end of the fiscal year shall remain in the Fund.
- (4) The Commissioner shall maintain records that indicate the amount of money in the Fund at any given time.
- (c) The Governor is authorized to use amounts available in the Fund to offer economic and financial resources to an eligible business pursuant to this section, subject to approval by the Emergency Board as provided in subsection (e) of this section.
- (d) To be eligible for an investment through the Fund, the Governor shall determine that a business:
- (1) adequately demonstrates:
 - (A) a substantial statewide or regional economic or employment impact; or
 - (B) approval or eligibility for other economic development incentives and programs offered by the State of Vermont; and
 - (2) is experiencing one or more of the following circumstances:
 - (A) a merger or acquisition may cause the closing of all or a portion of a Vermont business, or closure or relocation outside Vermont will cause the loss of employment in Vermont;
 - (B) a prospective purchaser is considering the acquisition of an existing business in Vermont;
 - (C) an existing employer in Vermont, which is a division or subsidiary of a multistate or multinational company, may be closed or have its employment significantly reduced; or
 - (D) is considering Vermont for relocation or expansion.
- (e) (1) Any economic and financial resources offered by the Governor under this section must be approved by the Emergency Board before an eligible business may receive assistance from the Fund.
- (2) The Board shall invite the Chair of the Senate Committee on Economic Development, Housing and General Affairs and the Chair of the House Committee on Commerce and Economic Development to participate in Board deliberations under this section in an advisory capacity.
- (3) The Governor or designee, shall present to the Emergency Board for its approval:
- (A) information on the company;
 - (B) the circumstances supporting the offer of economic and financial resources;
 - (C) a summary of the economic activity proposed or that would be forgone:

- (D) other State incentives and programs offered or involved;
 - (E) the economic and financial resources offered by the Governor requiring use of monies from the Fund;
 - (F) employment, investment, and economic impact of Fund support on the employer, including a fiscal cost-benefit analysis; and
 - (G) terms and conditions of the economic and financial resources offered, including:
 - (i) the total dollar amount and form of the economic and financial resources offered;
 - (ii) employment creation, employment retention, and capital investment performance requirements; and
 - (iii) disallowance and recapture provisions.
- (4) The Emergency Board shall have the authority to approve, disapprove, or modify an offer of economic and financial resources in its discretion, including consideration of the following:
- (A) whether the business has presented sufficient documentation to demonstrate compliance with subsection (d) of this section;
 - (B) whether the Governor has presented sufficient information to the Board under subdivision (3) of this subsection;
 - (C) whether the business has received other State resources and incentives, and if so, the type and amount; and
 - (D) whether the business and the Governor have made available to the Board sufficient information and documentation for the Auditor of Accounts to perform a performance audit of the program.
- (f) (1) Proprietary business information and materials or other confidential financial information submitted by a business to the State, or submitted by the Governor to the Emergency Board, for the purpose of negotiating or approving economic and financial resources under this section shall not be subject to public disclosure under the State's public records law in 1 V.S.A. chapter 5, but shall be available to the Joint Fiscal Office or its agent upon authorization of the Chair of the Joint Fiscal Committee, and shall also be available to the Auditor of Accounts in connection with the performance of duties under 32 V.S.A. § 163; provided, however, that the Joint Fiscal Office or its agent, and the Auditor of Accounts, shall not disclose, directly or indirectly, to any person any proprietary business or other confidential information or any information which would identify a business except in accordance with a judicial order or as otherwise specifically provided by law.
- (2) Nothing in this subsection shall be construed to prohibit the publication of statistical information, rulings, determinations, reports, opinions, policies, or other information so long as the data are disclosed in a form that cannot identify or be associated with a particular business.
- (g) On or before January 15 of each year following a year in which economic and financial resources were made available pursuant to this section, the Secretary of Commerce and Community Development shall submit to the House Committees on Commerce and Economic Development and on Ways and Means and to the Senate Committees on Finance and on Economic Development, Housing and General Affairs a report on the resources made available pursuant to this section, including:
- (1) the name of the recipient;
 - (2) the amount and type of the resources;
 - (3) the aggregate number of jobs created or retained as a result of the resources;
 - (4) a statement of costs and benefits to the State; and
 - (5) whether any offer of resources was disallowed or recaptured.
- (h) This section shall sunset on June 30, 2016 and any remaining balance in the Fund shall be transferred to the General Fund.

INTRODUCTION

This report is submitted pursuant to Section E.100.5. (g) of Act 179 (2014) and describes the projects that have received financial support from the Vermont Enterprise Fund. Included in this report are the following statutorily required elements:

- The name of the recipient;
- The amount and type of the resources;
- Whether any offer of resources was disallowed or recaptured;
- The aggregate number of jobs created or retained as a result of the resources; and
- A statement of costs and benefits to the State.

BACKGROUND

The Vermont Enterprise Fund was created by Act 179 in 2014 with the purpose of “making economic and financial resources available to businesses facing circumstances that necessitate State government support and response more rapidly than would otherwise be available from, or that would be in addition to, other economic incentives.”

In 2014, \$5million was appropriated to support the VEF. Of that, \$500,000 was transferred to VEDA to support their Entrepreneurial Lending Program. Since that time, the fund was used to fill budget gaps and some was rescinded, leaving \$1.7 million available for projects as defined by Act 179.

DATE	ACTION	BALANCE
June 9, 2014	Transfer from General Fund per 2014 Act 179 Sec. C.106.2.(a)	\$5,000,000
June 9, 2014	Appropriation to VEDA per 2014 Act 179 E.100.5	(\$500,000)
August 13, 2014	Reduction per Rescission plan approved by JFC	(\$956,896)
June 3, 2015	Appropriated per 2015 Act 51 Sec. G.10(a)	(\$425,000)
October 31, 2015	Interest Earned	\$6,593
October 19, 2015	Allocated to projects - Approved by Emergency Board	(\$700,000)
January 8, 2016	Allocated to project - Approved by Emergency Board	(\$1,000,000)
March 8, 2016	Transfer to General Fund per 2016 Act 68 Sec. 53(a)(1)	(\$1,424,697)
	Balance	\$0

DESCRIPTION AND STATUS OF AWARDS

There were three allocations from the Vermont Enterprise Fund proposed by the Governor and approved by the Emergency Board. The first, to GW Plastics, Inc. of Bethel for \$500,000; the second to BHS Composites Corp., a new company that will expand from Sherbrooke, Quebec to St. Johnsbury, in the amount of \$200,000 and \$1million to support Global Foundries, Essex.

GW Plastics, Inc.

GW Plastics, with operations in both Royalton and Bethel is a leader in the design and manufacture of plastic-injection molded products for the healthcare and medical sectors.

Amount and Type of State Resources:

Vermont Employment Growth Incentive: \$977,365 authorized December 3, 2015 to be earned for activity between August 24, 2015 and December 31, 2019 and potentially paid out between 2016 and 2023.

Vermont Training Program: \$54,623 awarded for training between September 11, 2015 through March 31, 2017.

\$80,051 awarded for training between July 11, 2018 through July 11, 2019.

Vermont Enterprise Fund: \$500,000 grant to be disbursed in three payments: \$174,419 by January 15, 2016 or within 30 days of the execution of a grant agreement; and \$209,302 by January 15, 2017 and \$116,279 by January 15, 2018, if performance requirements are met.

Disallowance/Recapture

VEGI: Claims were verified with the Tax Department for calendar years 2015-2107. All claims have been approved.

VTP: Grant closed on March 31, 2017 with approximately half of the award invoiced. All training appears to have been completed.

Grant closed on July 11, 2019 with \$73,902 of the award invoiced. All training appears to have been completed.

VEF: The first payment of \$174,419 was made on March 17, 2016. The performance requirement for the second payment was certified as met on December 13, 2016 and therefore the second payment was made on December 14, 2016. The performance requirement for the third and final payment was certified as met on November 22, 2017 and final payment was made on November 27, 2017.

No part of the Vermont Enterprise Fund award was disallowed or recaptured. Additionally, there was no recapture or disallowance from the other incentives referenced above, to date.

BHS Composites Corp.

BHS Composites has located a new U.S. facility in the St. Johnsbury Industrial Park. They design and manufacture composite products for the aerospace and transportation sectors.

Amount and Type of State Resources

Vermont Employment Growth Incentive: \$512,144 authorized November 3, 2016 to be earned for activity between January 1, 2016 and December 31, 2020 and potentially paid out between 2017 and 2025.

Vermont Training Program: \$49,266 grant awarded for training through April 11, 2018.

Vermont Enterprise Fund: \$200,000 grant to be disbursed in three payments: \$100,000 by January 15, 2016 or within 30 days of the execution of a grant agreement; and \$50,000 by January 15, 2017 and \$50,000 by January 15, 2018, if performance requirements are met.

Disallowance/Recapture

VEGI: Documentation of 2016, 2017, and 2018 activity was filed with the Tax Department by April 30, 2018 and April 30, 2019 respectively. The 2016 and 2017 claims were in delayed status. The 2018 claim has not been processed by the Tax Department at the date of this report. No VEGI incentives have been paid to date.

VTP: A grant of \$49,266 was awarded in 2017. As of this report, \$49,266 has been invoiced and paid.

VEF: The first payment of \$100,000 was made on June 15, 2016. Capital Expenditure performance requirements have not been met as of the date of this report therefor the second and third payments have not been made. Disbursements of these payments will not be made until such requirements are met.

No part of the Vermont Enterprise Fund award has been disallowed or recaptured to date. Payment of the second and third VEF installments are pending receipt of documentation of the performance requirement. Additionally, there was no recapture or disallowance from the other incentives referenced above, to date.

GlobalFoundries

GlobalFoundries acquired the majority of the IBM operations in Vermont during 2015. As the need for cutting-edge technology increases, chip-making companies must keep costs competitive, it was imperative that an efficient campus and workforce be in place.

Amount and Type of State Resources

Vermont Training Program: \$159,085 grant awarded (amended from \$163,371) for training through November 2017.

Vermont Enterprise Fund: \$1,000,000 grant to be disbursed in two equal installments by March 31, 2016 and October 31, 2016, if performance requirements are met.

Disallowance/Recapture

VTP: The grant has been completed and closed with a total of \$136,217 being invoiced and paid.

VEF: In March 2016 the first performance requirements were certified as met and the first payment of \$500,000 was made. As of October 2016, all performance requirements were certified as met and the second payment of \$500,000 was made.

No part of the Vermont Enterprise Fund award was disallowed or recaptured. Additionally, there was no recapture or disallowance from the other incentives referenced above, to date.

AGGREGATE NUMBER OF JOBS RETAINED AND CREATED

As of the date of the last filing of each participating businesses, the full-time employment level of the three recipients at the time of approval has been maintained. The aggregate full-time job creation through December 2016 was 204 (compared to expectation of 133). Further, aggregate capital investments totaling over \$93 million were made by the recipients (compared to expectation of \$79.1 million).

STATEMENT OF COSTS AND BENEFITS TO THE STATE

The allocation of \$1.6 million from the available \$1.7 million in Enterprise Funds for these three projects has been expended to help to retain the State's largest private sector employer and one of Central Vermont's largest employers, as well as recruit a new employer to the Northeast Kingdom. The VEF investment have leveraged private sector investments in Vermont totaling over \$92 million including new payroll and capital expenditures between 2016 and 2020. The projects have created over 200 direct full-time jobs.