

REMI and Cost – benefit in VEGI

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1. REMI calculates impact on the Vermont economy when a business makes a change
2. ACCD-managed cost-benefit model translates economic changes to Vermont state revenue changes – both increased taxes and increased government costs
3. Final calculation translates changes in net revenue to a schedule of incentive payments

REMI Inputs

- Number of employees
- Wages plus compensation
 - Construction (new and renovation) Only carried out by Vermont companies
 - Machinery and Equipment - Only purchased from Vermont suppliers
- Industry Sector (for background growth)
- When the jobs are added and when the construction takes place

Key REMI outputs

- Personal income (for income tax)
- Personal consumption (for sales tax)
- Residential and non-residential capital stocks (for property tax)
- Population change (for several state government cost variables)

From REMI to the Benefit Cost (Tax Revenue and State Government Cost) model...

State tax revenues – General fund

Personal income tax (based on a straight percent of increased personal income)
Other general fund revenues based on population change

State tax revenues – Transportation fund

New vehicle purchases (purchase and use tax)
Fuel use (motor fuels tax)
Other transportation fund revenues based on population change

State tax revenues – Education fund

P. tax revenues from project construction plus other Grand List growth
Sales and Use tax (based on a straight percent of taxable purchases)
Other ed fund revenues from sales and use, and purchase and use
Other ed fund revenues based on population change

State government expenses – General fund and Transportation fund

Based on population change and per capita costs

State government expenses – Ed fund

Based on school age population change and per student costs to the Ed fund

The Calculations (CAUTION: Wonk alert)

- Total Net Benefit over five years (reduced by discount rate)
 - Reduced to 80% (or 90% - green)
- Total Qualified Payroll increase
- Establish a Ratio of benefit to payroll increase
- Apply ratio to each year's payroll increase (reduced by background growth)
 - When a year's payroll increase less than background → no incentive
 - Product for any individual year divided into 5 equal payments

	Year One	Year Two	Year Three	Year Four	Year Five	Total
Tax Revenues	\$50,000	\$100,000	\$125,000	\$135,000	\$145,000	
State Gov't costs	\$20,000	\$60,000	\$80,000	\$90,000	\$100,000	
Net	\$30,000	\$40,000	\$45,000	\$45,000	\$45,000	\$205,000
Qualifying Wage increase	\$100,000	\$200,000	\$50,000	0	\$50,000	\$400,000
Background growth in wages	\$10,000	\$21,000	\$32,500	\$44,000	\$56,000	
Percent of benefit available for incentive	22.5%	44.75%	4.4%	0	0	71.6%