

The background features abstract, overlapping geometric shapes in various shades of green, ranging from light lime to dark forest green. The shapes are primarily triangles and polygons, creating a dynamic, layered effect. The central text is set against a white background that is framed by these green shapes.

# Vermont Economic Progress Council

Vermont Economic Growth Incentive

# VEGI Background



Encourage business recruitment, growth, and expansion.



An “incentive” the program is neither a grant nor financing



Performance-based



Authorized to earn the incentive done through application to VEPC

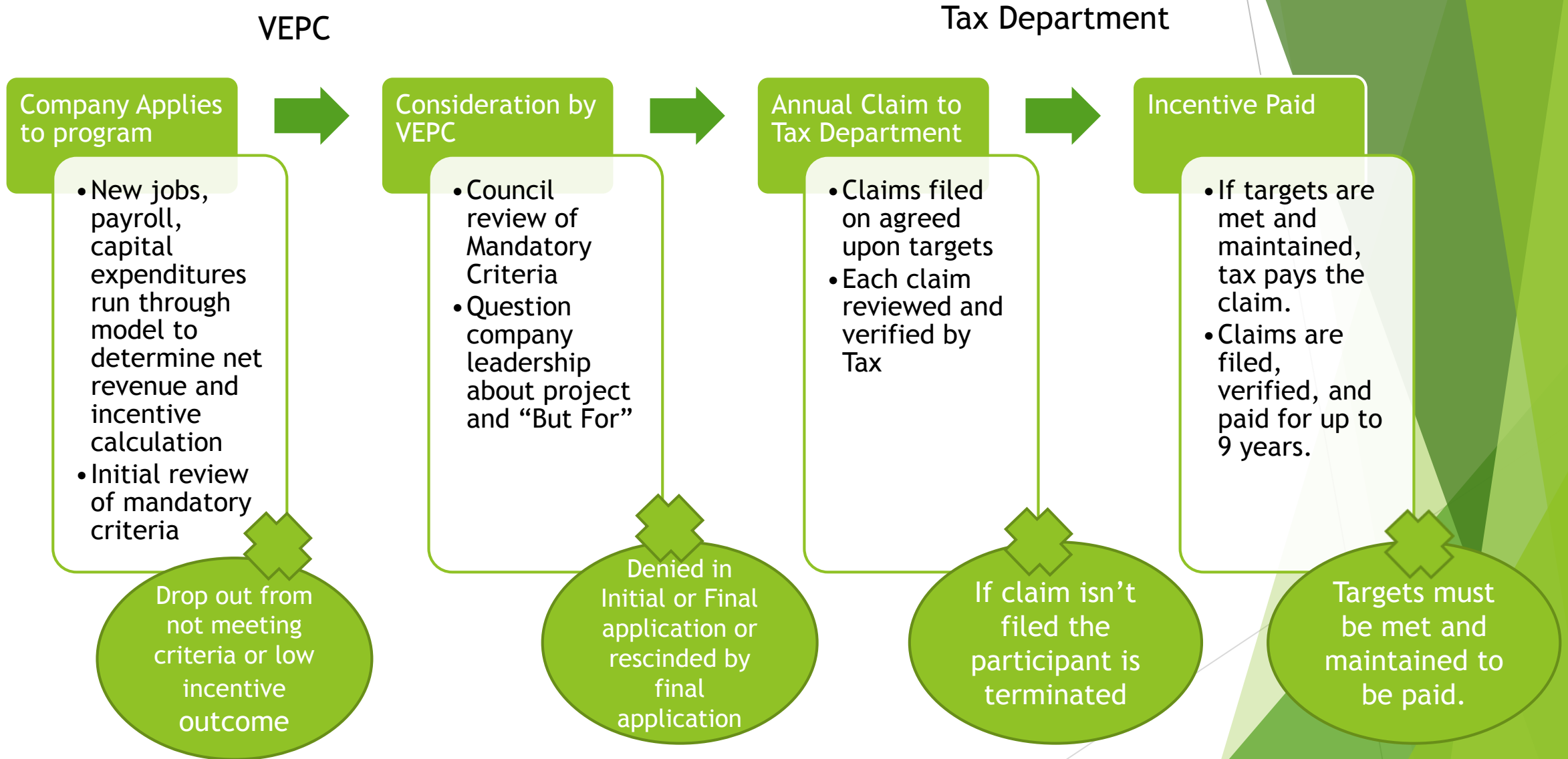


VEPC’s authorization determines eligibility



Up to 5 years to participate. Each award year is paid over 5 years.

# Overview of a VEGI Award



# VEGI: Criteria For Approval

## 5 criteria for approval



Revenue to the State is greater than the cost to the State.



Welcomed by the municipality.



The business is in compliance with State regulations and laws;



No unfair advantage in local market



But for the incentive, the proposed economic activity would not occur or would occur in a significantly less beneficial manner to the State.

# “But For” Criteria

- ▶ The But For statement included by the applicant in a VEGI application must include narrative detail supporting the specific But For argument being made by the applicant sufficient for the Council to make a But For determination.
  - ▶ For example:
    - ▶ If the But For is a “yes” or “no” go decision, who is making that decision and what factors are being considered?
    - ▶ If the But For is based on a location decision, who is making that decision and what factors are being considered?
    - ▶ If the But For is about a significantly different and less desirable outcome (scope, scale, timing, financial viability), provide details about how the project would be significantly different and less desirable, from the State’s perspective (i.e. fewer jobs, less new payroll, reduced new tax revenues).
- ▶ To supplement the But For statement, applicants must submit supporting documentation and/or information, as appropriate, to substantiate their But For, such as:
  - ▶ Information regarding incentives offered by other locales and copies of any specific incentive offers. Include names and contact information for any out-of-state officials contacted.
  - ▶ Data (spreadsheets) documenting significantly different/significantly less desirable outcomes without the incentive.
  - ▶ Any press releases, media statements, news reports, regarding the project contained in the application.
  - ▶ Copies of any signed or proposed lease or Purchase and Sale agreements.
- ▶ VECP Staff and Council conduct independent research, verification, and question Company officials at Council meeting.

# REMI Model

- ▶ Quantitative explanation of changes to the Vermont economy when there are increases in Jobs, wages, and capital investment that include
  - ▶ Changes in Personal Income to Vermonters
  - ▶ Changes in Grand List Value
  - ▶ Changes in sale of taxable item
    - ▶ Cars, gas, furniture, appliances
  - ▶ Changes in Population

# Cost Benefit Model

- ▶ Cost Benefit model was created by EPR and approved each year by JFC
- ▶ Takes changes in the economy from output of REMI and translates them first to increases in state revenue
  - ▶ Income tax from personal income
  - ▶ Property tax from Grand List
  - ▶ Sales Tax from increases in sales of taxable items
- ▶ Next the model calculates increase in possible state government expenditures. More people in Vermont and more Economic activity result in more state government expense.
  - ▶ General Fund
  - ▶ Education Fund
  - ▶ Transportation Fund
- ▶ The Result is  $\text{Benefit-Cost} = \text{Net Revenue increase}$ .

## Tech Inc.

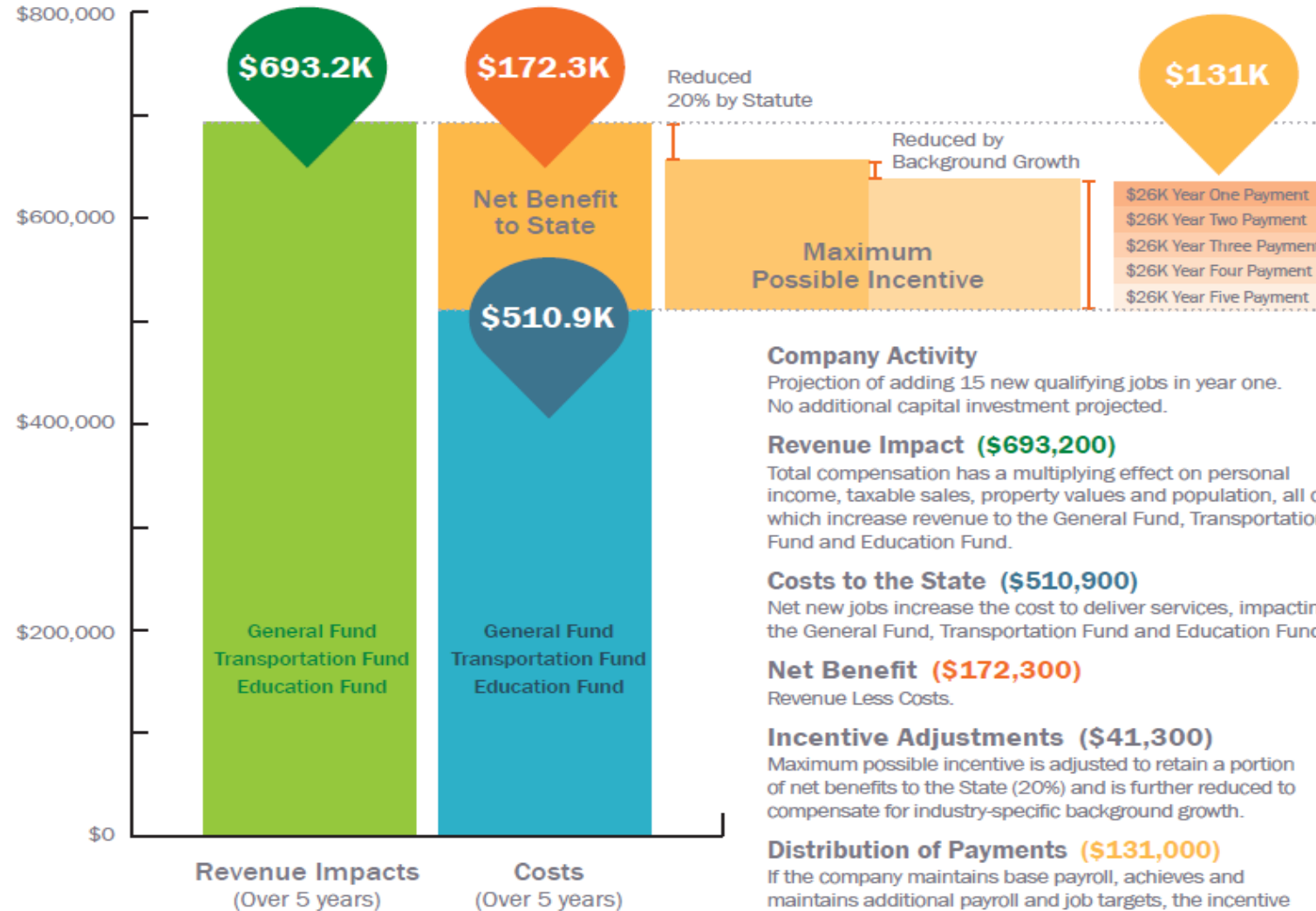
Sample company considers a move to Vermont. The company will hire 15 Vermont employees in year one (no proposed additions in years two through five). Compensation totals \$1 million, inflated for years 2-5. They do not project any additional capital investment.



**15**  
New Jobs



**\$1 M**  
Wages and Fringe Benefits



### Company Activity

Projection of adding 15 new qualifying jobs in year one. No additional capital investment projected.

### Revenue Impact (\$693,200)

Total compensation has a multiplying effect on personal income, taxable sales, property values and population, all of which increase revenue to the General Fund, Transportation Fund and Education Fund.

### Costs to the State (\$510,900)

Net new jobs increase the cost to deliver services, impacting the General Fund, Transportation Fund and Education Fund.

### Net Benefit (\$172,300)

Revenue Less Costs.

### Incentive Adjustments (\$41,300)

Maximum possible incentive is adjusted to retain a portion of net benefits to the State (20%) and is further reduced to compensate for industry-specific background growth.

### Distribution of Payments (\$131,000)

If the company maintains base payroll, achieves and maintains additional payroll and job targets, the incentive payments are allocated over five years. Targets must be met and maintained every year to receive incentive payments.

# Sample VEGI



# Current VEGI Enhancements

## ▶ Green VEGI

- ▶ emphasize the policy goal of “green economy” job creation in Vermont.
- ▶ Secretary of Commerce will certify or deny certification of an application as Green VEGI-eligible
- ▶ VEGI incentive calculation will use a 90% Incentive Ratio (instead of the normal 80%)
- ▶ background growth will be calculated at 20% of the normal background growth amounts.

## ▶ LMA Enhancement

- ▶ The eligible regions are determined annually by the Vermont Department of Labor using unemployment and wage data by Labor Market Area.
- ▶ Utilization of the enhancement is capped for each calendar year at 1.5 M for Initials, 1. M for Final
- ▶ Additional set of criteria which will be considered.
- ▶ It must be approved by the VEPC Board during consideration of a formal Initial VEGI Application.
- ▶ VEGI incentive calculation can be approved for up to 100% Incentive Ratio (instead of the normal 80%)

# Sample VEGI Payout Schedule

PERFORMANCE MEASURES BASED ON APPLICATION							
	2019	2020	2021	2022	2023	2024	Totals
<b>BASE FULL-TIME PAYROLL</b>	\$ 3,879,000						
<b>NEW QUALIFYING PAYROLL</b>		\$439,000	\$491,000	\$712,000	\$865,000	\$897,000	<b>\$3,404,000</b>
<b>NEW QUALIFYING JOBS</b>		9	9	16	18	18	<b>70</b>
<b>NEW QUALIFYING CAPITAL INVESTMENT</b>		\$8,000,000	\$1,000,000	\$900,000	\$100,000	\$0	<b>\$10,000,000</b>

THEORETICAL INCENTIVE AMOUNT AND PAYOUT CALCULATION												
Year	Max. Incentive Amount	Number of Jobs	2020 1	2021 2	2022 3	2023 4	2024 5	2025 6	2026 7	2027 8	2028 9	TOTALS
<b>1 – 2020</b>	\$137,755	9	\$22,959	\$27,551	\$27,551	\$27,551	\$27,551					\$133,163
<b>2 – 2021</b>	\$155,503	9		\$25,917	\$31,101	\$31,101	\$31,101	\$31,101				\$150,319
<b>3 – 2022</b>	\$231,351	16			\$38,559	\$46,270	\$46,270	\$46,270	\$46,270			\$223,640
<b>4 – 2023</b>	\$283,820	18				\$47,303	\$56,764	\$56,764	\$56,764	\$56,764		\$274,359
<b>5 - 2024</b>	\$294,688	18					\$49,115	\$58,938	\$58,938	\$58,938	\$58,938	\$284,865
<b>Total</b>	<b>\$1,103,117</b>	<b>70</b>										
<b>Annual Sum of Incentives:</b>			\$22,959	\$53,468	\$97,211	\$152,225	\$210,801	\$193,072	\$161,972	\$115,702	\$58,938	
												\$1,066,347
<b>Cumulative Total</b>			\$22,959	\$76,427	\$173,638	\$325,863	\$536,664	\$729,736	\$891,708	\$1,007,409	\$1,066,347	

<b>NET REVENUE BENEFIT TO STATE OF VERMONT (AFTER ALL COSTS, INCLUDING COST OF INCENTIVES):</b>	<b>\$650,000</b>
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# VEGI Outcomes

## Actual Economic Impact to Date (January 1, 2007 - December 31, 2016)

New Qualifying Jobs Created	6216
Total New Jobs (Direct & Indirect)	8855
New Qualifying Payroll Created	\$368,897,380
Average Wage	\$59,346
New Qualifying Capital Investments	\$829,862,708
Incentives Paid	\$22,632,132
Estimated Net Revenue Benefit to State	\$38,866,762

# VEGI Modernization Requests

## Changes Requested

- ▶ Eliminate the enhanced incentive for workforce training. (VETI)
- ▶ Eliminate the LMA cap to encourage increased qualify job growth in economically disadvantaged areas of Vermont.
- ▶ Make Vermont the destination for mission-driven businesses.
- ▶ Offer job growth incentives that are more meaningful and impactful for small businesses.
- ▶ Provide an enhanced incentive for businesses creating jobs that support the goals of the Vermont Clean Water Act.
- ▶ Tie the Wage Threshold for qualifying jobs to Vermont's Livable Wage

## Expected Impact

- ▶ Eliminate risk to funds paid by Vermont Training Program
- ▶ Reduces operation risk of not being able to gather JFC in time for VEPC review of Final applications. Remove limit within VEGI Cap of encouraging growth in distressed areas
- ▶ Create enhancement matching Green. Increase in net revenue share to business, decrease in net revenue share to Vermont.
- ▶ Address issue of scalability for small business. Increase in net revenue share to business, decrease in net revenue share to state.
- ▶ Added industry to Green VEGI enhancement
- ▶ Provide continuity between programs. Increase number of jobs that could be qualified.