



STATE OF VERMONT
GENERAL ASSEMBLY

February 24, 2022

TO: House Committee on Appropriations
Mary Hooper, Chair
Peter Fagan, Vice Chair

FROM: House Committee on Commerce and Economic Development
Michael Marcotte, Chair
Charlie Kimbell, Vice Chair

RE: FY23 Budget Proposal, Committee Feedback

We have reviewed the proposed budget and provide you with the following recommendations for areas that are in the policy area of our committee:

\$100,000 to Agency of Agriculture for Vermont Brand Assessment. The Agency will be contracting out for this work. **RECOMMEND.**

\$30,000,000 to Department of Labor for Completion of UI modernization project. We have conferred with DOL, ADS and JFO and feel that their approach to this critical, multi-year project is sound. **HIGHLY RECOMMEND.**

\$2,700,000 to Department of Labor for Pilot program to establish Workforce Expansion Specialists. The committee has had extensive discussions about this proposal and a competing idea in H. 703 with the concept of establishing a Vermont Workforce Network with six regional Navigators working with Workforce-Education Business Councils. At the same time, the Good Jobs Challenge grant application to the Economic Development Administration, in which ACCD is the lead, would establish a network utilizing the RDCs and collaborating with VDOL. We plan to work through the details of this proposal in the next week for a final recommendation on the structure and financing involved. The amount needed is at least the \$2.7 million requested here. The committee will work with stakeholders to get additional clarity before making a final recommendation. **HIGHLY RECOMMEND the CONCEPT, NEUTRAL ON CURRENT PROPOSAL.**

\$6,000,000 to ACCD – Department of Economic Development for the remediation and redevelopment of brownfield sites. We leave it to your committee to determine if the appropriation should go to DEC within the Agency of Natural Resources or to DED within ACCD. The previous year's appropriation of \$25 million will be fully expended by the end of FY22, and the qualified projects in the BERA and BRELLA programs exceed the \$6M being requested by the Governor. **HIGHLY RECOMMEND**, with suggestion that more funds be allocated if available.

\$8,460,000 to ACCD – Department of Tourism and Marketing to support a regional recruitment and relocation network. Vermont’s workforce shortage existed before the COVID-19 pandemic and has been made worse by it, with 24,000 fewer people in the workforce today than in December 2019. We recognize the sincerity of the proposal by DTM but we disagree with the premise that a coordinated marketing effort will greatly impact the problem. The shortage of affordable, quality housing and child care are larger, more fundamental issues to retain the existing workforce and respond to inquiries by employers and potential employees to interest in relocating to Vermont. At the same time, VDTM has received a federal ARPA grant of \$10.4 million to help the tourism and hospitality sector, though the guidelines on how the money can be spent are not yet clear. We have also heard from Legislative Economist Tom Kavett and others that 20,000+/- people move into and out of the state every year without the type of concierge services envisioned in this proposal. Testimony we received questioned the effectiveness of this type of marketing program. **DO NOT RECOMMEND**

\$5,000,000 to ACCD to fund the continuation of the Worker Relocation Grant program. This is in addition to the \$1 million proposed for the base budget. PFM Consulting Group was hired by the Department of Financial Regulation, per Act 51 of 2021, to study and report on the effectiveness of incentive programs to attract new workers. They concluded that the program paid for itself by the net tax revenue generated by the workers who moved to Vermont as well as the economic impact by their spending in Vermont. The consultants noted that the program was small when compared to the scale of the workforce needs, that the changes to the program made it difficult to administer and for employers and potential employees to clearly understand it. They also noted that the program could be even more effective if paired with assistance for housing, childcare and broadband availability. We remain skeptical of the effectiveness of this incentive in attracting new residents of Vermont, and note the influx of “COVID refugees” who have moved to the state without the incentive. Also, several other states and cities in the United States have stood up similar programs since Vermont’s initial, novel program, potentially diminishing the impact of this program. Joint Fiscal Office is currently reviewing the methodology and conclusions of the study as requested by a member from the Senate. **DO NOT RECOMMEND the \$5 million in one time funds nor the \$1 million in base.**

\$3,000,000 to Vermont Department of Health to grant to VSAC to support existing nursing scholarship program. This program is actually a workforce incentive loan program, in which the recipients sign a promissory note in which the loan is forgiven if they work in Vermont for an agreed amount of time. VSAC testified that the program is working as intended, with the vast majority of recipients fulfilling the work requirement. **HIGHLY RECOMMEND**

\$2,000,000 to Vermont Department of Health to continue loan repayment support for nurses (RN/LPN). VSAC testified that loan repayment programs are effective recruitment and retention tools. **HIGHLY RECOMMEND**

\$3,000,000 to the Vermont Student Assistance Corporation (VSAC) for the Vermont Trades Scholarship program. We believe this is a good compliment to the existing Advancement Grants program, also administered by VSAC, and could remove the financial barriers for individuals pursuing certifications and credentials in a trade. We are working to convert this to the forgivable loan format that VSAC administers that would forgive the loan provided the individual work in the state for a period of time. **HIGHLY RECOMMEND.**

\$500,000 to VSAC for loan repayment for trades professionals. The proposal would pay \$5,000 towards existing student loans for every year worked in the trades. We feel the proposal is problematic on a number of fronts, including that the loan being repaid is not necessarily for studies in the trade and may incent a worker in another priority occupation to leave it.

RECOMMEND

\$1,500,000 to VSAC for the 802Opportunity Program, providing free courses at Community College of Vermont, increasing the household income eligibility from \$50,000 to \$75,000, for which 44% of families in Vermont would qualify. This is added to the existing base budget of \$1.9 million for a total of \$3.4 million. The current program has been fully subscribed. VSAC Outreach Counselors advise students on the availability of funds from different programs.

HIGHLY RECOMMEND.

\$80,000,000 to ACCD Department of Economic Development: \$50 million for Capital Investment Grant, \$30 million for Grand List Enhancement Program. In 2021 the Capital Investment Grant program was funded with \$10.6 Million. ACCD has received 77 applications for more than \$65 million in requests. Applicants have objected to the net benefit calculation used to determine the grant amounts. The Grand List Enhancement Program ensures that disadvantaged communities receive assistance by segregating \$30 million in grants. The Senate has been taking testimony on both of these programs in more detail and we await the conclusion of their deliberations. **NEUTRAL**

\$20,000,000 to ACCD-DED to subgrant to VEDA for short-term forgivable loans for businesses that continue to be impacted by COVID-19. The Senate has been taking testimony on this program as it is further developed by VEDA. It is clear that many businesses, particularly in the hospitality and creative arts industries, suffered financially because of COVID, both the initial Stay-Home-Stay-Safe Executive Orders and later because of the surge of the Omicron variant. The Emergency Recovery Bridge Grant Program, established in 2021 with \$30 million in ARPA funds, has \$25 million in available funds. ACCD and business owners have indicated that the difficulty of completing the applications, the stringent grant criteria and small size of the grant awards contributed to the lack of applications. Discussions are continuing on the redirection of those funds either to the Capital Investment Grants or to the forgivable loans proposed here. The committee has taken testimony on H. 624 to support the businesses and organizations in the creative economy disproportionately affected by the pandemic, and the Vermont Arts Council shared compelling testimony about how they would administer funds using a defined rubric and process of review. Because the Senate has taken the lead on this, we have not had sufficient time to fully vet this proposal. **NEUTRAL**

\$1,000,000 to Department of Agriculture for Working Lands Enterprises. This increase in base funding from \$594,000 represents a measured increase and commitment to this worthy economic development program. **HIGHLY RECOMMEND and suggest that additional funds be allocated should they be available.**