

Senate Committee on Economic Development, Housing, and General Affairs Meeting Notes
Week of 1/21/2022 to 1/27/2022

Friday 1/21/2022

Economic Recovery Gap Grants - Ben

- The committee met with Joan Goldstein of the Department of Economic Development to discuss her proposal regarding the ERG program in Budget Adjustment.
- Commissioner Goldstein says the problem with the program is that there are too many constraints and the program is undersubscribed. Meanwhile, the Capital Investment program is oversubscribed.
 - Her proposal is to move unused funds from ERG to CI
- Sen. Clarkson seemed skeptical of this proposal, would rather change the criteria for ERG to make it more accessible.
 - Comm. Goldstein worries that the legislature would take too long to determine a formula for changing the criteria and the money would sit around unspent.
- Comm. Goldstein presented bill language that would move unspent money to the Agency of Commerce and Community Development to use at their discretion.
 - The plan then seems to be to give the money to VEDA, which Goldstein says would be better suited to handle the goals of the ERG program through Capital Investment.
 - Sen. Sirotkin is skeptical about giving over too much legislative discretion over this money to the executive branch. Would rather ensure that the money goes to economic development/recovery rather than broad Capital Investment.
 - He nonetheless is sympathetic to the idea that VEDA could handle the program more effectively and is open to exploring the proposal.
 - Sen. Clarkson would rather just use Budget Adjustment to improve the criteria of the ERG program and separately fund the oversubscribed CI program.
 - In response to Comm. Goldstein's time concerns, Sen. Clarkson believes the time crunch provided by Budget Adjustment will help the formula develop faster.
 - Comm. Goldstein is open to this idea but noncommittal.
- Comm. Goldstein also expressed an interest in changing the criteria for ERG so that grant amounts are based on future operational expenses, rather than past revenue losses. The committee seemed receptive to this change.
- Overall, Sen. Sirotkin seemed open to exploring the proposal from Comm. Goldstein, but Sen. Clarkson was more adamant that BA could be used to fix the ERG program and increase funding for the CI program.

Capital Investment Grants - Cate

- Commissioner Joan Goldstein and Jessica Hartleben join call - goal to move money around
- Goldstein states simple solution to problem of undersubscription is to change criteria and formulas and move funds from oversubscribed Capital Investment program
- Sen. Clarkson is concerned about pivoting to a new program, when they could just fix criteria - Goldstein responds and states last time that was attempted it took the entire session - it's not easily feasible. Goal is economic recovery of a different stripe - not for working capital but projects
- Chairman Sirotkin finds language from Act 9 confusing - Chairman Sirotkin wants to see money unspent used for ACCD and Economic Recovery - argues that the legislature should decide where money goes rather than the executive branch
- Sen. Clarkson recalls years back Goldstein asked for a significant amount of money and now is asking for more (asked for \$90 million over 3 years, and received \$10 million over 1 year) - Sen. Clarkson understands they were oversubscribed but also understand the time frame they're in
- Chairman Sirotkin states it seems like Goldstein is saying they're abandoning the gap program, dressing it up in a different uniform, and sending it over to a different agency, in order to get the money
 - Goldstein rebuts and states the strictness is designed to make sure people who deserve the loans get them
- Sen. Clarkson asks why can't VEDA divide the \$26 million into grants with money already allocated
 - Goldstein responds VEDA deals with loans not grants
- Chairman Sirotkin asks the determinants of a forgivable loans
 - Goldstein states it is situation specific
- Sen. Randy Brock states the agriculture is saying the money has been inaccessible
 - Goldstein states that that is not true – farms have been significantly helped
- Sen. Clarkson asks why in BAA can both of these things occur
- Sen. Balint supports this idea that

Tuesday 1/25/2022

Budget Adjustment Act - Ben

- The committee met again with Joan Goldstein to discuss what to do about the ERG program and what can be addressed in Budget Adjustment.
- Comm. Goldstein repeated that the proposal is to move ERG money to the Capital Investment fund rather than change the parameters of ERG eligibility in such a way that it becomes a whole new program.
 - Again underscores how the CI program is oversubscribed with 77 applications under review.

- There was a protracted discussion about whether or not federal rules for ARPA would allow for the CI money to be used for a broad spectrum of economic recovery grants, but Sen. Sirotkin pulled back the committee and said they were getting outside the scope of what the purpose for the meeting was.
 - Sen. Sirotkin said Budget Adjustment is moving fast, and might be moving to a vote by Friday. The committee needs to figure out what to do about the ERG program in Budget Adjustment. Specifically, how much effort to put into reforming it at this moment.
- Sen. Clarkson is still adamant about quickly tweaking ERG eligibility in Budget Adjustment, and then fast-tracking the leftover money to the CI program in the omnibus Economic Development bill.
 - Sen. Sirotkin was not super on-board with this, and sees pitfalls in trying to do so much in such a short period of time.
- Still lots of unknowns about what to do, they will reconvene.

VEDA Loan Program - Ben

- Cassie Polhemus, CEO of VEDA joined Comm. Goldstein and the committee to discuss the proposed reallocation of ERG funds to VEDA to use as forgivable loans.
- Ms. Polhemus underscored the difficulty of this kind of program since different sectors have different needs. Solving that problem through individual loan underwriting, however, risks not getting the money out the door fast enough. There needs to be an appropriate formula.
- Sen. Clarkson asked how long it would take VEDA to get a new program running.
 - Ms. Polhemus was reluctant to commit to a specific timeframe but said it could be operationally off the ground in a week. The challenge, though, is the development of a formula, which could take longer. Perhaps a total of 2-3 weeks to get the program off the ground.
- Sen. Clarkson also asked if the new VEDA program would be serving the same population that ERG sought to serve.
 - Ms. Polhemus cannot confirm, since she is not involved with ERG and does not know who precisely applies, but is inclined to say yes. VEDA's intention is to do so.
- Sen. Sirotkin is "excited" by the speed and care that VEDA proposes to implement. However, the question for him remains- how much involvement should the legislature have?
 - VEDA would like broad authority— this would give them the most flexibility to launch the program effectively, she says.
 - Sen. Sirotkin is interested in finding a sweet spot between flexibility and legislative oversight.

- Sen. Brock is very concerned about potential fraud and wants to ensure that VEDA is verifying the self-reported needs of businesses.
 - Ms. Polhemus says that VEDA is normally rigorous about this verification, but cautions that a program that needs to move money fast may have to pull back on that rigor.
- Sen. Sirotkin indicated that he would like to make these changes (whatever they may be specifically) in the Omnibus Economic Development bill in the next 10-or-so days, and would like some language developed shortly.
- Overall, the committee is hesitant to just send \$20M to VEDA with no legislative parameters/oversight.
 - Sen. Brock especially wants to ensure that possible fraud is curbed in the language of the bill.
- State Auditor Doug Hoffer joined briefly to express that his office would like to stay informed of decisions regarding this program. He also advised that the legislature maintains a greater deal of oversight than the executive branch is currently proposing.

Wednesday 1/26/2022

There were no meetings of relevance to HCED today.

Thursday 1/27/2022

Budget Adjustment Act - Center on Rural Innovation- Ben

- The committee met with Matt Dunne, Executive Director of the Center on Rural Innovation to discuss his Budget Adjustment Proposal.
- CRI has been working with 5 Vermont communities to develop community ecosystems friendly to tech startup development. 3 of those 5 (Rutland, Randolph, Springfield) are ready to apply for a federal program that will provide \$750k per town to work toward this development.
- However, the federal program requires 1:1 matching, which the state is interested in helping provide. Mr. Dunne stressed that because the feds require the matching funds to be available upon request, these funds need to be available in FY22, by the end of April.
 - To provide confidence that these funds will be available, Mr. Dunne would like the money to be appropriated in Budget Adjustment.
- Sen. Sirotkin is hesitant to rush through a \$1M appropriation after a 10 minute presentation, would like to talk to Comm. Goldstein about it. Seemed to want a fast track bill appropriating the money later in the session.
 - Mr. Dunne stressed his preference of appropriation in BA in order to provide the most confidence of availability.
- Sen. Clarkson is open to appropriating in Budget Adjustment.

S. 221 - An act relating to unemployment insurance benefits- Ben

- The committee met with Commissioner Harrington of VDOL and Cameron Wood, Director of the UI Division of VDOL to discuss a bill under consideration relating to a change in UI benefit payment methods.
- Essentially, the feds have found Vermont's Act 51 that added a \$25 supplemental benefit to be out of compliance. S. 221 will fix that compliance issue.
- However, the supplemental benefits cannot be paid out until VDOL's IT modernization project is complete, which could take anywhere from 3 to 5 years. To cover the cost of the benefits in the meantime, S. 221 proposes the use of ARPA dollars.
- VDOL encourages looking for the money elsewhere, so more ARPA money is available for the Governor's proposed projects in other areas. Comm. Harrington stressed a good deal of flexibility, as long as the money does not come from the trust fund.
- Mr. Wood suggested language that makes explicit that the supplemental benefits will be subject to state tax the same way base benefits are. The committee seemed on board with this idea, since that is their intention anyway.
- The committee then moved to discussing the issues VDOL has had with their pandemic chargeability program.
 - The program allows for employers to apply for chargeability relief (normally employers are charged in some way when a former employee goes on UI).
 - Relief is dependent on the employer proving that an employee was let go for COVID-related reasons and that the employee's job has been offered back.
- Mr. Wood noted he has been surprised by the very low number of applications the program has received, causing review of the applications to be put on the back burner for his department.
- The committee discussed what could be done to increase applications.
 - Mr. Wood emphasized that his department has done all that they can to get out the word.
 - The committee discussed expanding reasons for going on UI to include the more short-term COVID-related reasons people are leaving work (school closings, sick relatives, needing to isolate, etc.).
 - No consensus for action was reached, but there was a general sentiment among the committee to explore what can be done about these short-term COVID-related reasons people stop working.

Omnibus Economic Development Bill - Cate

- Commissioner Joan Goldstein of the Dept. of Economic Development
New and Remote worker incentive – asking for short term occupational list to be removed
- \$1 million base budget ask and one-time \$5 million appropriation to accommodate robust interest in the program

- Chairman Sirotkin wants to clarify – in setting up the remote worker portion of the program – starts next week (Feb 1st) and then merges in July 1st
 - Goldstein states it was one appropriation and then has specific amounts
 - Chairman Sirotkin states grants will be equalized

Dept. Tourism and Marketing

- Informal funnel for jobs in VT
 - Idea is to formalize this network for more support
- Combination of marketing money and network funding
- Chairman Sirotkin asks what's the price
 - Total 8.46 million not broken down between network and marketing
- Sen. KRH wants to know breakdown between network and marketing
 - Good program but needs a check-in points – particularly POC she has talked to want to share their experience
 - Dig into making this program effective and for everyone
- Chairman Sirotkin asks if this is General Funds and Goldstein states that it is

Bring back the Project-Based TIF proposal

- Chairman Sirotkin states this is needed in long-term, but looking at the Westford and Middlebury dollars, perhaps funding with ARPA infrastructure dollars might be better
 - Goldstein says TIF proposal is a permanent tool
 - Sen. Clarkson agrees with Goldstein

Grantless growth

- Incentives to develop in towns suffering - provide ARPA money to stagnant growth in towns
- Chairman Sirotkin tries to “ground this” and asks about qualification for project approval
 - Goldstein says it is similar to Capital Investment - will send parameters on the program for it to be incorporated in bill

Capital Investment

- Chairman Sirotkin clarifies that CI program was capped at \$1.5 M and now cap is being lowered to \$1M
 - Goldstein – in ARPA eligibility guidelines there has to be a justification to Treasury, they don't want extra scrutiny
- Chairman Sirotkin asks could towns draft proposals regionally?
 - Goldstein – municipalities are not eligible

Economic Recovery Grants

- Chairman Sirotkin asks if the \$26 million a work in progress what you're going to do with that money– are you going to ask appropriations that your holding onto \$26 million and we don't want to sit under the gap program
 - Goldstein states that's a question of whether it can be put into capital investment and that's a question for BA – don't want to leave it there

- Sen. Clarkson – there are still people in recovery - if VEDA is where recovery is going, must happen ASAP
 - Chairman agrees – seems like everyone likes the bill
 - In interim change criteria in gap program and see if people come forward
 - Administration not interested in this
- Sen. Ram Hinsdale concerned about emergency needs of families – \$14 million New and Remote Workers program seems like a lot