Study on the Effectiveness of Incentive Programs in Attracting New Workers to Vermont

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Worker Relocation Incentive Programs

The programs are designed to attract new employees to grow the state workforce and support Vermont employers.

The programs are designed to help meet Vermont's demographic challenges.

COVID-19 has made a large portion of the national/regional workforce mobile.

This analysis was conducted in accordance with Act 51, which directs DFR to contract with an independent consultant to quantitatively and objectively study and report on these programs.

The Programs

- **The 2018 New Remote Worker Grant Program (2018 Program)** focused specifically on remote workers. To be eligible, a person was required to work remotely from a home or office location in Vermont.

- **The 2019 New Worker Relocation Incentive Program (2019 Program)** focused on relocating workers who became full-time Vermont residents after Jan. 1, 2020.

- **The 2021 New Relocating Employee Incentives Program (2021 Program)** combined aspects of the first two programs. It targets workers who plan to reside in Vermont and work for Vermont employers as well as employees who will reside in Vermont but work remotely for out-of-state employers.

PFM Research & Analysis

Conducted stakeholder interviews and surveyed incentive recipients to determine the relative importance of the incentives.

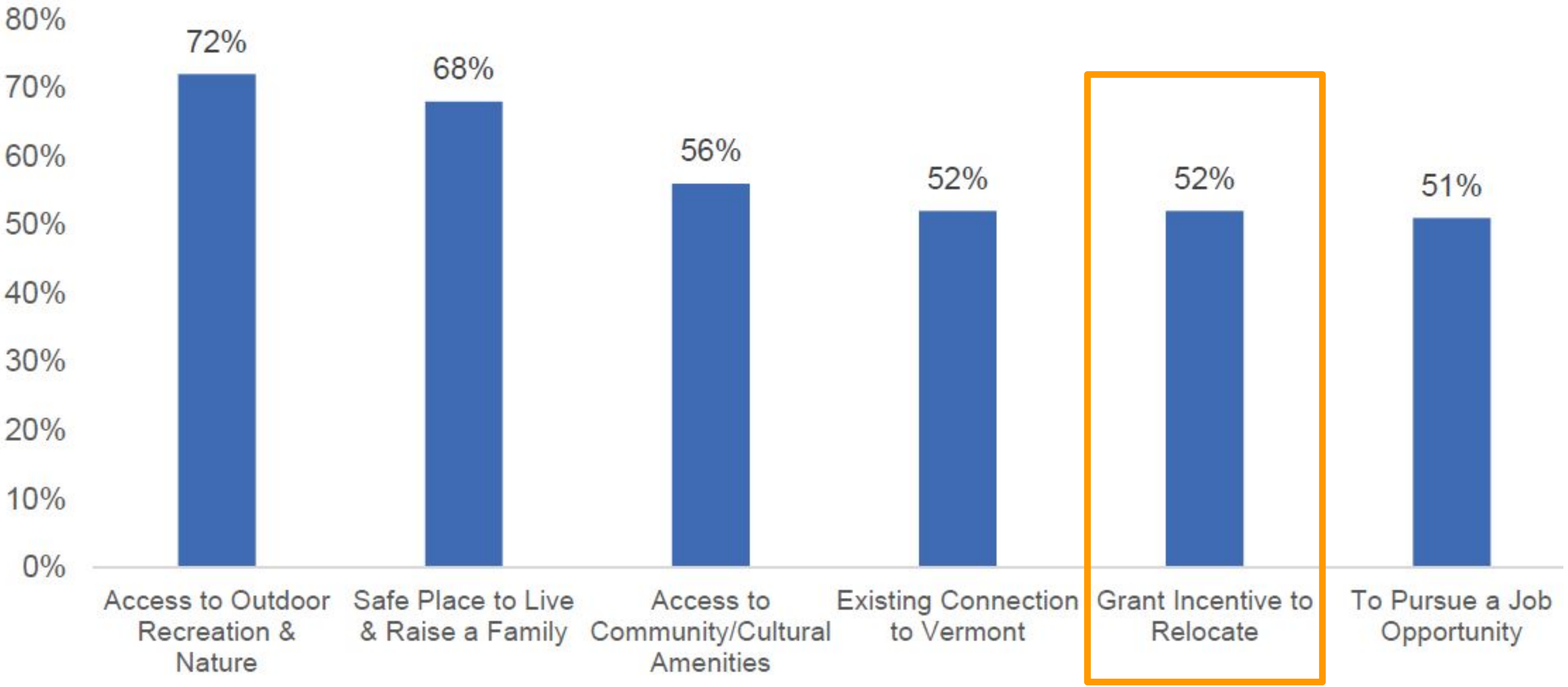
Investigated similar programs in other states, regions, and municipalities. Gauged the efficacy, cost and benefits of those programs.

Modeled the economic benefits and direct tax revenue generated from the participants of incentive programs.

Important Program Impacts

- **In the aggregate:** prior appropriations allocated across the two major programs totaled less than $2 million, making it unlikely the programs will have a measurable economic or demographic impact.
- **On the individual-level:** the individual grant amount is in itself unlikely to motivate a person to move to Vermont. Most grant recipients attributed their relocation to a number of factors, most notably the state's outdoor recreation opportunities and for its reputation as a safe place to live and raise a family.
- At the same time, nearly half of all respondents indicated the grants were important in influencing their overall relocation decision, indicating the programs were likely at least partially responsible.

Figure 4: Most Significant Factors Influencing Relocation Decisions



Source: PFM Grantee Survey Results

PFM's Economic Impact Analysis of both Programs

The maximum direct economic impact that could be accredited to these programs is the creation of new households and the associated new household income within Vermont.

This approach assumes new household income is represented by the total amount of aggregate household income associated with the grants.

The minimum direct economic impact that could be associated with these programs is the impact of grant spending alone (i.e., reimbursement of associated expenses).

2018 Program Economic Impact Analysis

At a minimum, PFM estimates the program created 3 jobs, $0.2 million in wages, and $0.5 million in annual economic impact

At a maximum, factoring in household spending, PFM estimates the program created 110 new jobs, $5.2 million in wages, and $16.2 million in annual economic impact.

Using a 50% approach, the 2018 program generated an estimated 52 new jobs, $2.5 million in wages, and $7.6 million in annual economic impact.

Every tax dollar spent resulted in approximately **$94 in economic activity.**

2018 Program Cost & Direct Tax Revenue

This program created an estimated $419,001 in annual state tax revenue; the program itself cost $500,000.

The program approximately returned 84% of direct cost in new state tax generation in one year.

The consultant determined the program would pay for itself within two years of implementation.

2019 Program Economic Impact Analysis

At a minimum, PFM estimates the program grant spending alone created 5 jobs, $0.2 million in wages, and $0.7 million in annual economic impact.

At a maximum, factoring in household spending, PFM estimates the program created 105 new jobs, $5.1 million in wages, and $15.8 million in annual economic impact.

Using a 50% approach, the 2019 program generated an estimated 63 new jobs, $3.1 million in wages, and $9.5 million in annual economic impact.

Every tax dollar spent resulted in approximately **$66 in economic activity.**

2019 Program Cost and Direct Tax Revenue

This program created an estimated $527,089 in annual state tax revenue; the program itself cost $670,000.

The program approximately returned 79% of the direct cost in new state tax generation in one year.

The consultant determined the program would pay for itself within two years of implementation.

Summary of Financial Impacts

The **2018 program** generated an estimated 52 new jobs, $2.5 million in wages, and $7.6 million in annual economic impact (50% approach).

This program created an estimated $419,001 of annual state tax revenue; the 2018 program cost $500,000.

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Report Limitations

Incentives' Influence on Relocation

Difficult to quantify how many program participants would have relocated to Vermont even without the incentives.

PFM tried to address this issue by discounting the programs' economic impact based on participants' survey responses.

Quantifying Total Economic Impact

Quantifying the net tax revenue and economic impacts of the programs at the individual-level proved challenging.

Program participants may have replaced departing higher-income residents, or displaced higher-income individuals who would otherwise have relocated to that location.

Recommendations

Address high cost of living, access to affordable housing, high speed internet, and reliable child care services to attract workers in search of more affordable and desirable residential areas.

Consider structuring the programs to add flexibility and predictability, such as issuing payments when new residents relocate.

Design future incentive programs to encourage relocation to economically distressed areas through community visits and centralized information on work/business support programs.

Other Key Considerations

Although Vermont was the first state to develop worker relocation incentives in 2018, at least **52** other municipalities and states have followed suit.

It is likely jurisdictions without incentive programs are less competitive and will perform worse against states and municipalities that implement these incentive programs.

There is some evidence of the benefits of worker relocation incentives in other jurisdictions: the 2021 Tulsa Remote Program brought an estimated $62 million of local earnings to the city and led to the creation of approximately 600 jobs.