REVIEW OF POLICY QUESTIONS
RELATED TO THE
VERMONT EMPLOYMENT GROWTH INCENTIVE PROGRAM
REQUIRED BY ACT 157 OF 2016

VERMONT

VERMONT ECONOMIC PROGRESS COUNCIL

January 15, 2017

Front cover photos clockwise:

1. Ray Cyr, Keurig Green Mountain, Waterbury
2. M. Cecilia de San Juan, Chroma Technology Corp., Bellows Falls
3. Jeremy Hudson, Logic Supply, South Burlington
4. Heidi Wood, New England Supply, Williston
5. Jackie Velazquez, Ehrmann Commonwealth Dairy, Brattleboro
6. Lauren Whitney, Vermont Smoke and Cure, Hinesburg

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INTRODUCTION

At the request of the General Assembly in § H.13 Act 157 (2016), during the summer and fall of 2016 the Vermont Economic Progress Council undertook a process to examine the following eight questions related to the Vermont Employment Growth Incentive Program:

(1) whether the enhanced incentives available under the program are appropriate and necessary, including:
 (A) an analysis of the growth in the environmental technology sector in Vermont as defined in the enhanced incentive for environmental technology business and whether growth in this sector obviates the need for the current enhancement; and
 (B) whether the State should forgo additional net fiscal benefit under the enhancements and whether the policy objectives of the enhancements are met;
(2) whether and how to include a mechanism in the Program for equity investments in incentive recipients;
(3) whether and under what circumstances the Department of Taxes should have, and should exercise, the authority to recapture the value of incentives paid to a business that is subsequently sold or relocated out of the State, or that eliminates qualifying jobs after receiving an incentive;
(4) how to most effectively ensure, through the application and award process, that recipients of VEGI incentives are in compliance with all federal and State water quality and air quality laws and regulations;
(5) the size, industry, and profile of the businesses that historically have experienced, and are forecast to experience, the most growth in Vermont, and whether the Program should be more targeted to these businesses;
(6) changes to the Program to ensure incentives will benefit the creation and growth of more small businesses;
(7) whether additional applicant and program data reporting and transparency could be accomplished without damage to applicant businesses; and
(8) quantifiable standards for the type, quality, and value of employee benefits that an applicant must offer in order for a new job to count as a "qualifying job" for purposes of the Vermont Employment Growth Incentive Program.

The Council created two subcommittees, each consisting of four VEPC Board members and one regional economic development corporation director, with each subcommittee handling four questions. The Council invited anyone to participate in an ongoing dialogue regarding the questions either in person or in writing. General invitations were sent to over 60 people and organizations and the Council specifically invited 46 additional people and organizations to provide input based on their expertise and knowledge. All participants were asked to suggest others who should participate and to pass on the invitation. The Council received input from 24 individuals and organizations either through contributions at the meetings or in writing. The Council dedicated over 15 hours of meeting time, in addition to the normal Council business, to the input process. Additionally, Council members and staff dedicated many more hours to research, preparation, and drafting.

A list of all contributors follows this introduction. For a complete invitation list, see Appendix 15. Also, click here to view all information on the input and review process, including audio of the discussions, a list of contributors, and all written contributions.

Following the Executive Summary, this Report is divided into eight sections, including the question number and a restatement of the question from the Statutory charge. The Council has endeavored to provide for each question, background that is informational and educational, especially in regards to the operation of the VEGI program, data regarding the question, especially in support of the Council's conclusions, followed by the Council's conclusions and recommendation for each question.

Unless otherwise indicated, all statutory citations use the statute in effect as of January 1, 2017, when the effective VEGI program provisions were relocated to 32 VSA Chapter 105. Through December 31, 2016, the VEGI provisions were contained in 32 VSA 5930b.

VEPC ACT 157 SUBCOMMITTEES

Questions 1, 2, 3 & 8:

Name:	Residence:	Background:
John Davis	So. Burl.	Accounting
Michael Keane	Bennington	Financial Serv.
Tim Briglin	Thetford	Equity Invest.
Patricia Horn[1]	Springfield	Senior Care
Kevin Mullin	Rutland	Business
Bob Flint (SRDC)	Springfield	Economic Dev.
Mary Lintermann[2]	Stowe	Eng./Const.

Questions 4, 5, 6 & 7:

Name:	Residence:	Background:
Emma Marvin	Morrisville	Specialty Foods
Betsy Gentile	Brattleboro	Cont. Education
Rachael Smith	St. Albans	Real Estate
Warren Kitzmiller	Montpelier	Business
Thad Richardson[1]	Lyndonville	Banking
Curt Carter (GBIC)	Richmond	Economic Dev.
Shawn Straffin[2]	Lyndonville	Business
Stephan Morse[3]	Newfane	Foundations/Educ.

1. Served starting September 22, 2016
2. Served until September 21, 2016
3. Chair of VEPC, Served Ex Officio on both Subcommittees

For simplification and consistency, the term "Council" is used throughout the report to refer to the Vermont Economic Progress Council (VEPC). Readers are reminded that VEPC is the independent entity created by statute and mandated to co-administer the Vermont Employment Growth Incentive Program (with the Department of Taxes) and administer the Tax Increment Financing (TIF) District Program. VEPC also administers the Windham County Economic Development Program.

VEPC is housed at the Agency of Commerce and Community Development for administrative support, but is not a division of the agency. The Council consists of:

- A Board of eleven voting members, nine of whom are citizen volunteers appointed by the Governor and confirmed by the Senate, and one member appointed by the Speaker of the House and one by the Senate Committee of Committees;
- Two non-voting designees from each regional development corporation and each regional planning commission, who serve in an advocacy and advisory capacity; and
- Two staff – an Executive Director appointed by the Governor and confirmed by the Senate, and a grants manager from the state's classified service.

Whenever the term "Council" is used in reference to a decision, the decision is actually made by the voting members of the VEPC Board. However, all conclusions and recommendations in the Report are supported by the entire Council.

CONTRIBUTORS

The Council would like to thank the following contributors for taking time from their busy schedules to share their expertise, experience, and thoughts during this process.

Contributors are listed alphabetically with date of presentation or submittal and question(s) addressed. For biographical information on contributors, access to audio files of presentations, and copies of presenter documents, click here.

NAME	TITLE	DATE	Question(s)	PRESENTED	SUBMITTED
Betsy Bishop	President, Vermont Chamber of Commerce	1-Nov	All	N	Y
David Bradbury	President, Vermont Center for Emerging Technologies	28-Jul	2, 3	N	Y
Cynthia Browning	Member, Vermont House of Representatives	28-Jul	4	Y	Y
Cairn Cross	Co-Founder, FreshTracks Capital	28-Jul	2, 3	Y	Y
Darcy Carter	District Director, U.S. Small Business Administration	28-Sep	6	N	Y
Susan Davis	Member, Vermont House of Representatives	28-Jul	2, 3	Y	Y
Rebecca Ellis	Senior Counsel, DEC, Vt ANR	22-Sep	4	Y	Y
Stephen Gibbs	Chief Accounting Officer, Keurig Green Mountain	22-Sep	All	Y	N
Douglas Hoffer	Vermont State Auditor of Accounts	25-Aug	All	Y	N
Ellen Kahler	Executive Director, Vermont Sustainable Jobs Fund	25-Oct	1, 2, 6, 7	N	Y
Kirby Keeton	Tax Policy Analyst, Vermont Department of Taxes	28-Jul	3, 4, 7, 8	Y	Y
John Kessler	General Counsel, Vt ACCD	28-Jul	4, 7	Y	N
Christopher Lyon	Manager, Community Services, Seventh Generation	22-Sep	All	Y	Y
Mark MacDonald	Member, Vermont Senate	28-Jul	8	Y	N
Tom Moody	Director, Downs, Rachlin, Martin PLLC	3-Nov	2, 3	Y	N
Peter Murray	Membership Coord., Vt Environmental Consortium	3-Nov	1	Y	Y
Christine Oliver	Senior Dir., Acct Management, NFP Corporate Services, Inc.	28-Jul	8	Y	Y
Jean O'Sullivan	Member, Vermont House of Representatives	28-Jul	5, 6	Y	N
Brian Poulin	VEGI Claim Examiner, Vermont Department of Taxes.	28-Jul	3, 4, 7, 8	Y	N
Jordan Robare	Manager, Accounting Operations, Dealer.Com	22-Aug	2, 3	N	Y
Linda Rossi	State Director, Vermont Small Business Development Center	11-Oct	6	N	Y
Tom Rugg	Senior Vice President, Hickok & Boardman HR Intelligence	3-Nov	8	Y	Y
RDC Directors	Regional Development Corporations of Vermont	3-Nov	All	Y	Y
Rob Stewart	General Manager, SOH Wind Engineering, LLC.	28-Jul	6, 8	Y	Y
Robert Zider	Director/CEO, Vermont Manufacturing Extension Center	22-Sep	All	Y	N

SUMMARY VEGI PROGRAM DATA

APPLICATION AND INCENTIVE SUMMARY
Applications Considered January 1, 2007 – December 31, 2016
for Activity to Occur January 1, 2007 – December 2021
and Incentives Payable January 1, 2008 – December 31, 2025

	Number:	Dollars:
Total Applications Considered:	106	$74,930,599
Denied Applications:	5	$ 2,198,190
Rescinded[1] Initial Approvals:	12	$16,392,402
Terminated[2] Incentives:	41	$16,739,383
Net Incentives Authorized:	**48**	**$39,600,624**

ESTIMATE OF PROJECTED DIRECT AND INDIRECT ECONOMIC ACTIVITY, 2007-2021
(For all Active Applications Approved through December 31, 2016)

New Qualifying FT Jobs	3,302	
New Non-Qualifying FT Jobs	802	
New Indirect Jobs	3,732	
Total Full-time Job Creation (Direct and Indirect):		**7,836**
Total Retained Full Time Jobs		6,046
Total Qualifying Full Time Payroll:		**$147.9 million**
Weighted Average Wage (Full time jobs)		$44,932
Average Total Compensation (Full Time jobs)		$55,667
Average % of Health Care Premium Paid by Employer		71%
Total Qualifying Capital Investments		**$763 million**
Approximate Value of Vermont Biz-to-Biz Interaction		$180 million/Year
Total Net Revenue Return to Vermont:		**$27.2 million**
Total Net New Revenue per New Qualifying Job		$8,237 per job[3]

PROJECTED and ACTUAL ECONOMIC ACTIVITY OF APPROVED APPLICANTS, 2007-2015

	PROJECTED	ACTUAL
New Qualifying Jobs	2,342	4,750
New Qualifying Payroll	$108.4 million	$293.5 million
New Capital Investments	$564.4 million	$682.6 million
Net Incentive Installments Paid:	$15.8 million	$14.7 million
Net Revenue Return to Vermont	**$18.2 million**	**$37.5 million**
Net New Revenue per New Qualifying Job	$7,806 per job[3]	$7,916 per job[3]

1. Rescinded means that an Initial Application was approved but no Final Application was filed. No incentives were authorized.
2. Terminated means that some or all incentives authorized were forfeited due to failure to meet performance requirements, failure to file a VEGI claim, or incentives were recaptured.
3. These figures *do not* represent a cost per job. They show the net new tax revenue generated to Vermont per new qualifying job created.

EXECUTIVE SUMMARY

The VEPC Board consists of citizen appointees from varying backgrounds, experience, and expertise. They also represent every region of the State. Most either currently manage or own businesses or have in the past. They have varying experience in their role administering the Vermont Employment Growth Incentive (VEGI) program, ranging from several months to over ten years. All are passionate about the issues for which they were selected to serve as a volunteer on this Board – job creation and economic development. And all take their fiscal responsibility to Vermont taxpayers very seriously.

The Council understands that VEGI is the State's primary recruitment and expansion tool. This isn't to say that there is only one tool in the State's tool box, but is to say that this is the only readily available tool to do this type of work. The program is well designed to offer a Vermont-appropriate incentive for specific economic growth projects in a certain "sweet spot" of company and project size and scope. Other economic development tools serve different purposes and VEGI is not appropriate for every type and size project in every sector.

The Council's role in relation to the VEGI program is administrative. The Council, including staff, administer the application and authorization process in accordance with statute. The Council develops policies and procedures to implement the statutory requirements and criteria. Occasionally, the Council may recommend policy changes to the Administration and General Assembly, if it finds that efficient or effective implementation of program goals and objectives are hampered.

The Council did not advocate for a review of these questions, nor did the Council take a position on these questions prior to conducting this inquiry and report process. Generally, the Council believes that the VEGI program operates as intended and is achieving the desired outcomes and objectives. The Council was pleased to have the opportunity to engage contributors with varying opinions and positions to conduct the inquiry requested by Act 157.

When considering the input, data, and research to come to a conclusion and recommendation on each question, the Council kept the following guiding principles in mind:

- Keep it simple. The default should be "do no harm." Given the complexity of the VEGI program already imposed by statutory requirements, the recommendation should make the program easier to navigate for the applicant and no more difficult for the Council and the Tax Department to administer.
- Recommendations should not result in a diminution of the basic controls built into the program to ensure that incremental revenues are generated to share with authorized companies when they meet performance requirements.
- When possible, provide the Council with discretion when a situation or circumstance does not conform perfectly with the statutory requirements, but the Council finds that approval of an incentive is in the State's best interest.

Not every conclusion and recommendation will satisfy every reader, but the Council trusts that the process in and of itself contributes value to future policy discussion. The public and the General Assembly should find that the Council undertook a thorough process to review the specific questions and that the conclusions and recommendations reflect the rigor of the process.

Certainly the VEGI program and the program processes should be reviewed from time to time. To that end, the Council actively participated in the legislative review of the program during the 2016 legislative session and the resulting constructive changes made in Act 157. The Council is pleased to report that the application and application process have been revised to reflect those changes. The legislative changes, and administrative changes made primarily due to IT efficiencies will enable the 2017 VEGI application to be 50% shorter - considerably easing the application burden for VEGI applicants.

We look forward to discussing and implementing further constructive legislative changes that may result from this review process.

The Council also offers the following consistent themes echoed by several contributors:

- The VEGI program works as intended; no changes are required.
- There appears to be a lack of understanding of how the VEGI program operates. (This is why the Council chose to include a substantial amount of background information on the program in this report.)
- Employers have difficulty finding employees; there is a continued need for investment in training and workforce development programs.
- There is a need for further and continued investment in technical assistance. In particular, small businesses need to build organizational capacity to allow for growth and positioning for their next level of investment (where they also might think about using the VEGI program).

Summary of Recommendations

Question #1: Are the Green and LMA Enhancements appropriate and necessary?

The Council recommends that:

- The Green VEGI and LMA Enhancement be retained as part of the VEGI program;
- The General Assembly consider suggestions of the Vermont Environmental Consortium regarding the Green VEGI Enhancement; and
- The Green and LMA Enhancement provisions be amended with purpose statements that provide clear policy objectives.

Question #2: Is VEGI a form of equity investment in a business by the State?

The Council recommends that:

- The VEGI program remain as an incentive program and not be interpreted as, or changed to be, a vehicle for equity investment in a business by the State.

Question #3: Should VEGI incentives be recaptured under certain circumstances?

The Council recommends that:

- The "sale" of a business should ***not*** be considered a basis for a recapture of VEGI incentives.
- The program already includes safeguards and mechanisms to terminate or recapture incentives if a company is acquired and the acquisition results in the cessation or diminution of the economic activity for which VEGI incentives were authorized, or there are layoffs of qualifying employees, or the relocation or closure of the business, whether due to the acquisition or not.

Question #4: What process can be put in place to ensure VEGI recipients are in compliance with water and air quality laws and regulation?

The Council recommends:

- Inclusion of a "Good-Standing" self-certification by applicant companies as part of the VEGI Authorization Document and during the annual VEGI claim process, similar to the certification proposed by the Agency of Natural Resources (ANR), with certain adjustments appropriate for the VEGI program.

Question #5: Should the VEGI program be more targeted to businesses in high-growth sectors?

The Council recommends:

- That rather than changing the current approach to pick winners by focusing on fast-growing sectors, the approach in place should be maintained: Businesses considering growth apply for the VEGI incentive and make the case that the incentive will influence their growth decision.

Question #6: Should the VEGI program be changed to benefit more small businesses?

The Council recommends:

- That the only way to allow the program to be more accessible to small businesses, especially micro-businesses, is for the General Assembly to change or eliminate certain program criteria generally, or for certain sized businesses.
- The Council recognizes several significant problems inherent in making such changes without impacting the integrity of the program and therefore does not recommend such changes.

Question #7: Can the program's confidentiality requirements be diminished without causing damage to applicant businesses?

The Council Recommends:

- That the statute not be amended in any way that would require the release or publication of company or VEGI applicant proprietary data or information, or any data or information generated in the VEGI application or claim processes that is company-specific or is in a form in which a company or applicant can be identified or can be associated with a particular business, even after completion of the incentive period.
- The Council further recommends that if there are specific sets of aggregated data or other types of information that are not currently included in the published monthly program updates or the annual reports, that the General Assembly discuss with the Council and the Department of Taxes whether it is possible to provide that information and, if so, include it in the statutory reporting requirement.
- The Council also offers a specific statutory amendment to further clarify the confidentiality of VEGI applications and claim information.

Question #8: Can the definition of a "qualifying job" include a quantifiable standard for benefits?

The Council recommends:

- That no change be made to the current benefit requirement in the definition of qualifying job.
- The Council will collect more detailed data and information on benefits offered by applicants and companies in the program to determine if the value of the benefits offered are out of line with companies of comparable size and position in the business continuum.

DETAILED QUESTION RESPONSES

Question 1

VEGI Incentive Enhancements for Environmental Technology Companies ("Green VEGI") or Due to Project Location (LMA Enhancement)

> *(1) whether the enhanced incentives available under the program are appropriate and necessary, including:*
> *(A) an analysis of the growth in the environmental technology sector in Vermont as defined in the enhanced incentive for environmental technology business and whether growth in this sector obviates the need for the current enhancement; and*
> *(B) whether the State should forgo additional net fiscal benefit under the enhancements and whether the policy objectives of the enhancements are met.*

History and Utilization of VEGI Enhancements:

LMA Enhancement

Statute (32 VSA §3334) gives the Council the authority to increase an incentive amount for projects locating in a labor market area (LMA) in which the average annual unemployment rate is greater than the average annual unemployment rate for the State or in which the average annual wage is below the average annual wage for the State. The LMA data are certified by the Vermont Department of Labor (DoL) annually and provided to the Council to determine which LMA's are eligible. To view VEGI program information on the LMA Enhancement, click here.

For the current period (July 1, 2016 - June 30, 2017), projects within the Barre-Montpelier, Burlington-South Burlington, and Lebanon NH (VT Part) Labor Market Areas are not eligible for LMA Enhancement. That excludes 62 towns from enhancement eligibility, including the towns in the most economically-active regions of the State. To view general Department of Labor information on LMAs, click here.

The authority for the Council to approve enhanced incentives for projects that will occur in the eligible regions of the state has been in statute since the inception of the VEGI program. In creating this enhancement, the General Assembly recognized the importance of encouraging more job growth and investment in certain economically disadvantaged regions of the state.

In 2009, the Council spent several meetings discussing the meaning of the enhancement provision, the implications of utilizing the authority, and worked through issues of administration.

Several circumstances drove the timing of this deliberation by the Council:

- The program was about two years old and the Council was becoming more familiar with the program and authorizations under the new statute;
- Council members recognized the continued disparity between the number of applications from, and incentives authorized to, Northwest Vermont versus the rest of the state;
- The economic downturn was having an extraordinary impact on economic development in the entire state, but especially the regions that are eligible for the LMA Enhancement.

The Council requested that staff run several examples of incentive calculations using the LMA Enhancement authority, provide recommendations on issues to be considered when deliberating on eligible projects, and develop administrative steps to implement use of the authority. At their October 2009 meeting, the Council voted to adopt an LMA Enhancement policy and procedure, which was proactively utilized thereafter.

The only statutory limitation impacting eligibility for this enhancement is geographic. If a project will be located within a certain LMA, the project is statutorily eligible for the enhancement and the Council ***may*** increase the incentive. However, the aggregate amount that incentives can be increased using this authority during a calendar year is capped by statute (32 VSA §3334(b)). Due to the cap and the impact on estimated net revenue return to the State, in addition to the statutory geographic limitation the Council administratively added several criteria for the Council to review to determine: A) Should the project be considered for the LMA Enhancement if it is geographically eligible; and B) If so, to what extent the incentive should be increased.

TABLE 1

LMA ENHANCEMENT CAP UTILIZATION		
YEAR	**CAP**	**% USED**
2007	$1,000,000	0%
2008	$1,000,000	0%
2009	$1,000,000	0%
2010	$1,000,000	23%
2011	$1,000,000	32%
2012	$1,000,000	31%
2013	$1,000,000	13%
2014	$1,000,000	9%
2015	$1,200,000	79%
2016	$1,500,000	91%
2017	$1,000,000	17%*
Number Approved for LMA Increase		
LMA Eligible Applications		47
Apps Approved for Increase		18
PERCENTAGE INCREASES APPROVED		
% INC.	**# INCREASED**	**%TTL**
200%	1	2%
100%	12	26%
75%	2	4%
50%	3	6%
0%	29	62%
*Thru December 31, 2016		

When a VEGI incentive is calculated, the same statutory mathematical methodology is applied to each project, starting with the estimated amount of incremental tax revenue the project will generate, determined by the VEGI cost-benefit model. The final number in this calculation is the estimated "net revenue return" to the State, after project costs and the cost of the incentive are calculated. See Appendix 1 for examples of the normal incentive calculation and the calculation using the LMA Enhancement.

Basically, for each dollar an incentive is increased under this enhancement, the estimated net return to the State is reduced by a dollar. If the Council increases the incentive by using 100% of estimated net return to the State, the net revenue return is reduced to $0. However, increasing the incentive and decreasing the net return ***does not*** represent a cost to the State. It only reduces the estimated net positive revenue return. The Council would have to use ***more than*** 100% of the estimated net revenue return to increase the incentive to cause a cost to the State (known as a "net negative return").

Since the program inception, through December 2016, the Council has considered 106 VEGI applications, 47 (49%) of which included projects to occur in eligible LMAs. Only 18 were approved for an increase under the enhancement. That is 17% of the total applications filed and 38% of the geographically-eligible projects.

Of the 18 projects approved for increased incentive using the LMA Enhancement:

- 12 (26% of total) were approved using 100% of the available increase;
- Two (4% of total) were approved using 75% of the available increase;
- Three (6% of total) were approved using 50% of the available increase; and
- One (2% of total) used 200%of the available increase.

Only the application approved using 200% of the estimated net revenue return caused a cost or net negative return and that net negative return amounted to $48,000. See Table 1 for more detailed data on the use of the LMA Enhancement.

Use of this enhancement authority increased the total amount of approved incentives by $3.561 million and decreased the net revenue benefit by $3.198 million, when including terminated and rescinded incentives.

This history of utilization and application of this enhancement indicates prudent and measured use of this discretionary authority by the Council.

Enhancement for Environmental Technology Companies:
"Green VEGI" or the enhancement for environmental technology companies was added to the program in 2008. Statute (32 VSA §3335) gives the Council the authority to increase an incentive amount for projects that have been certified by the Secretary of Commerce as fitting within four specific environmental technology sectors. To view program information on this enhancement, click here.

If the application is certified as eligible for Green VEGI, the Council is ***required*** to calculate the incentive using a calculation that is slightly different from the normal calculation, which increases the share of new revenue growth included in the incentive and reduces the level of normal background growth. See Appendix 2 for examples of the normal incentive calculation and the calculation for Green VEGI applicants.

Of the 106 VEGI applications considered since program inception, 19 (18%) were certified by the Secretary of Commerce as meeting the Green VEGI criteria. Two were denied and 17 were approved for an increase under the enhancement.

These approvals decreased the background growth used in the incentive calculation by $5.9 million, increased the incentive by $3.3 million and decreased the net revenue benefit by $2.7 million. (Includes terminated and rescinded incentives).

Growth of the Green VEGI Sectors
Specific employment and industry growth data are not published with the data broken down according to the environmental technology areas defined in Vermont statute for Green VEGI. The four areas include many different sectors and employment categories. An analysis of employment data by Ken Jones, Policy Analyst, Vermont Agency of Commerce and Community Development indicates that employment in most of the areas in the Environmental Technology definition has either declined or remained stable over the past ten years. These include waste management, water quality protection, wastewater management, hazardous waste management, and some types of renewable energy, such as hydroelectric generation. Certain clean energy and renewable energy sectors have experienced significant growth in employment, including weatherization, wind and solar generation, and wood heat installation. See Appendix 3 for this analysis. These findings were confirmed by other contributors to our report process (See, for example contributions by Peter Murray and Ellen Kahler).

Policy Objectives

There are no explicit legislative intent statements in statute for either the LMA or Green VEGI Enhancements to help define the policy objectives of the enhancements. The legislative record does not include committee discussions or testimony. There are general findings in the 2006 bill that created the VEGI program, but they are not specific to the LMA Enhancement. There are no findings in the 2008 bill that created Green VEGI.

The general findings in Act 184 (2006) state:

> ***(1) The general assembly supports a strong economic development policy for Vermont which is fiscally responsible and targeted for actual development results and should result in well-paying jobs with benefits including health insurance.***
> ***(2) A vibrant economic climate promotes the growth of existing businesses and the attraction of new businesses crucial for the state's future prosperity.***

Additionally, in 2016, the General Assembly added a purpose statement for the VEGI program in Section H.1. of Act 157 (32 VSA §3330(a)):

> ***The purpose of the Vermont Employment Growth Incentive Program is to generate net new revenue to the State by encouraging a business to add new payroll, create new jobs, and make new capital investments and sharing a portion of the revenue with the business.***

Finally, the criteria to determine eligibility, as provided in statute for these enhancements give some hints as to the policy objectives:

The LMA Enhancement is meant to encourage job creation projects in labor market areas that are economically disadvantaged, defined in statute as having higher-than-state-average unemployment and lower-than-state-average wages. Therefore, when combined with the approval criteria, the policy objectives can be summarized as:

- Encourage more job creation and investment in economically disadvantaged areas of the State;
- Enable projects in economically disadvantaged areas of the State that otherwise might not occur or might occur in a significantly different manner that is significantly less desirable to the State; and
- Ensure incentives are more fairly disbursed throughout the State.

The Green VEGI provision was meant to help spur job creation in a particular sector: environmental technology research, development, engineering and manufacturing. Therefore, when combined with the approval criteria, the policy objective can be summarized as:

- Encourage the creation of jobs and investment in environmental technology research, development, engineering and manufacturing that otherwise might not occur or might occur in a significantly different manner that is significantly less desirable to the State.

Conclusion and Recommendation

Based on the Council's analysis of the data and recommendations of the contributors to our report process, the Council finds that while there has been growth in certain sectors of the environmental technology industry in Vermont, the rate of growth in certain sectors within the industry does not eliminate the need for the current enhancement.

In fact, one can argue that because of the policies adopted by the State of Vermont, this is a burgeoning industry poised for growth in the near future. For example, in the past, Vermont policies helped accelerate the growth of solar businesses. The next opportunity may be in clean water technologies to help the State meet its mandated Lake Champlain clean-up goals. Eliminating this enhancement would be counter-productive as it contributes to the creation of new jobs in these sectors.

Information provided by Peter Murray, representing the Vermont Environmental Consortium, supports the data compiled by Mr. Jones (See Appendix 3), indicating that certain narrow sectors within the industry have grown. However, for the most part, over the past ten years, the overall environmental technology industry in Vermont has experienced limited growth. Furthermore, Mr. Murray indicated that one of the growth hurdles for this industry in Vermont is out-of-state and foreign competition, a factor that incentives can help companies overcome.

Mr. Murray concluded, on behalf of the Consortium, that the Green VEGI enhancement should be continued. He echoed some of the broad themes the Council heard from other contributors by suggesting that Vermont:

- Expand education for the industry regarding VEGI and other state programs;
- Simplify the program to make it more accessible to small businesses projecting limited employment growth;
- Calibrate the industry definitions determining enhancement eligibility.

The Council also finds that, based on the policy objectives of the VEGI program generally, and the specific objectives of both enhancements as expressed by the enhancement eligibility criteria in statute, the enhancements are appropriate and necessary to attain the goals of the enhancements.

The VEGI Technical Working Group also concluded that the methodology for determining which regions of the state are eligible for the LMA Enhancement is "both technically valid and reliable."[i]

From the prospective of program administration, the enhancements are appropriate in that the mechanisms to implement them do not pose undue burden on the applicants, the Council, or the Tax Department.

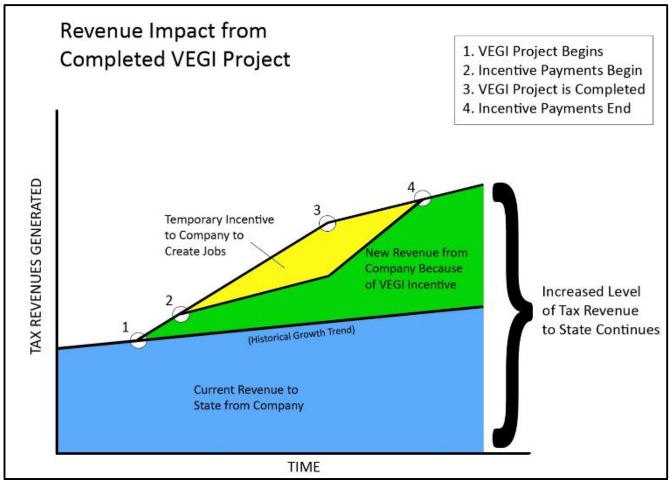
The incentive calculation adjustments included in statute to cause an increase in incentive for the Green and LMA enhancements were included by the legislature with the knowledge that they would result in a small reduction in the estimated net revenue benefit to the State. But, in fact, approval of the enhancements more broadly reinforces the purpose of the program - job creation for Vermonters, investment in Vermont, and the generation of incremental tax revenue for the state. Further, statutory mechanisms are also included to limit and govern the decrease in the estimated net fiscal benefit. This is accomplished through the method for calculating the Green VEGI incentive and the imposition of a cap on the LMA Enhancement.

As the data presented show, the Council has been prudent in its use of the LMA Enhancement. Only 38% of the geographically-eligible projects have been approved for the LMA Enhancement and only 26% of the eligible projects have had the incentives increased to a point that utilizes 100% of the estimated net revenue benefit, making the project essentially revenue neutral.

It is important to keep in mind the benefits to the State generated by the VEGI program which continue beyond the period measured by the VEGI cost-benefit model. If an approved business is successful and earns the incentive, the State gains all the revenue benefits that outweigh the cost of the incentive during the five years included in the VEGI cost-benefit model. Yet the revenue benefits of the project continue to accrue to the State for years after. Those additional years of benefit are not included in the VEGI cost-benefit model. See Table 2 for an illustration of the additional benefits that accrue to the State.

Each of the enhancements is designed to target incentives to reach certain goals: More environmental technology jobs and more projects and jobs in relatively economically-destressed regions of the state.

TABLE 2



The LMA Enhancement is also shifting the regions from which applications are filed. Before the Council started utilizing the LMA Enhancement in 2010, the percentage of applications from LMA-eligible regions was 43% of the total. For the period 2012-2016, the percentage of applications from eligible regions rose to 45%. In 2015 and 2016 applications from LMA-eligible regions increased to 55% and 66% of total applications, respectively.

Without the enhancements, the likely result would have been fewer applications and thereby fewer jobs and investment in the environmental technology sector. Similarly, there would have been fewer applications for projects in the slower-growing regions of the state and thereby fewer job opportunities for Vermonters in those regions.

For these reasons, the Council concludes that forgoing a limited amount of fiscal benefit to attain the goals of the enhancements is appropriate and necessary.

The policy objectives on which the Council is relying to make these conclusions are extrapolated from the language of the enhancements themselves and the debate in committee when the enhancements were added to, or amended in, statute. When establishing or revising programs, the General Assembly should consider stating the policy objective through a purpose statement to help guide the program administrators. The first such statement was made for the VEGI program generally in Act 157 in 2016. Having a clear purpose statement helps program administrators implement a new program or program change and provides the basis for measuring success. Absent a purpose statement to measure against, it is difficult for the Council, as program administrators, to gauge whether the enhancements are meeting policy objectives.

Accordingly, the Council recommends that:

- The Green VEGI and LMA Enhancement be retained as part of the program;
- The General Assembly consider the suggestions of the Vermont Environmental Consortium in regard to the Green VEGI Enhancement; and
- The enhancement provisions be amended with purpose statements that provide clear policy objectives.

Question 2

VEGI Equity Investment by the State in a Business Approved for VEGI Incentives

> *(2) whether and how to include a mechanism in the Program for equity investments in incentive recipients.*

Questions #2 and #3 are closely related. The Council has addressed most of the issues raised by both questions in the response to Question #2.

The nature of incentives and acquisitions:
Before considering this question, it is essential to first review the purpose of the VEGI program, the nature of acquisitions, their potential impact on an acquired Vermont company, and their impacts on the Vermont economy.

The VEGI program was created and designed to encourage companies to invest in job creation and capital infrastructure in Vermont that is beyond organic growth and that otherwise might not occur or might occur in a less desirable manner. The incentive offered by the State is performance based - sharing with the company a portion of the incremental tax revenues that will be generated to the State by the company's prospective economic activity once it has met its performance requirements. This purpose and structure for the VEGI program was affirmed in 2016 when the General Assembly included a purpose statement for the program in Section H.7. of Act 157 (32 VSA §3330(a)):

> ***The statutory purpose of the Vermont Employment Growth Incentive Program is to generate net new revenue to the State by encouraging a business to add new payroll, create new jobs, and make new capital investments and sharing a portion of the revenue with the business.***

In this arrangement, the State takes no risk and makes no investment in the company. The company takes all the risk and gets nothing unless it documents a specified level of incremental economic activity that will generate an estimated level of incremental tax revenue to the State. Nothing is paid to the business when incentives are approved. The business receives no money unless and until it meets and maintains strict performance requirements. The incentive payments are justified by a determination that the company's economic activity would not have occurred unless the incentive was authorized, and the incentive payment is only possible because the company performed. When the encouraged economic activity occurs, base and incremental tax revenues are paid to the State by the company as well as through indirect and induced activity (the activity of vendors and suppliers reflecting increased economic activity of the company). Only after the State gains the tax revenue benefits does the company start to receive incentive installments, which are paid out over time to ensure the performance requirements are maintained.

The benefits gained by the State are new, well-paying jobs with benefits for Vermonters, investment in machinery and equipment that opens new markets and keeps our businesses competitive, investment in new or improved facilities in Vermont, many of which were idle or under-utilized, and incremental State tax revenues that ***would not have been generated***, in full or in part, unless the State offered to share a portion of that incremental revenue with the company.

The Council emphasizes that the State takes no risk and makes no investment in companies approved for VEGI incentives. The agreement requires approved companies to take the risk, invest in Vermont beyond normal growth, incur debt and/or take on equity investors to achieve the growth, succeed in expanding and growth, and pay all the taxes due for the company's base activity and the incremental activity. Then, not until the incremental activity occurs and taxes are paid on the incremental activity, will a portion of the incremental revenue be shared with the company.

If the company's growth and success make the business a target for acquisition, even if that success occurred in part due to the approval of incentives, the State has no standing in that transaction. The statement of purpose for the VEGI program recognizes that if incentives were earned and paid, the State received the benefits for which the incentives were approved and paid. In other words, the agreement has been fulfilled.

All businesses will be sold at some point in their life cycle. Some will be sold during the time they are earning VEGI incentives or receiving VEGI installments. A business may be acquired by a larger entity or sold to a relative as part of a succession plan. There are many different types of mergers and acquisitions, most of which have no impact on the operation of a Vermont entity, even if that entity has been approved for incentives. In most cases, only the ownership of the entity changes and the management, operations, and employment of the Vermont entity continue as before. There is no provision in statute requiring the forfeiture, termination, or recapture of VEGI incentives based on a change in the ownership status of a company that was authorized to earn VEGI incentives.

TABLE 3

ACQUIRED VEGI COMPANIES			
Applicant Company	**Acquired By**	**Type**	**Impact on Incentive Activity**
Dealer.Com	Cox Automotive	Sale of Assets	None
Graphic Controls (Vermed)	Nisha Printing	Sale of Assets	None
Keurig Geern Mountain	JAB Holding Co	Stock Sale	None
Maponics	Pitney Bowes	Sale of Assets	None
Precyse Solutions	nThrive Solutions	Merger	None
Seventh Generation	Unilever	Sale of Assets	None

The Council recognized at the outset that the review of authorized incentives following an acquisition is a prudent administrative procedure. Therefore, the Council implemented such a process even before the VEGI program started. Authorized companies are informed upon approval that the incentives do not automatically transfer to an acquiring entity following an acquisition. If a company authorized for VEGI incentives is acquired during the authorization period (the period during which incentives are earned and paid out) they must notify the Council and provide specific information, including the type of transaction, the status of the authorized entity, and the intention of the acquiring or resulting entity regarding the economic activity for which the incentives were approved.

The Council reviews the information and either affirms the continuation of the incentives or takes appropriate action to terminate them. Even if the incentives are affirmed and continued, the company must still meet and maintain annual performance requirements to continue to earn and/or be paid the remaining incentives. The VEGI program already includes mechanisms to deal with potential negative impacts on a VEGI-approved Vermont employer following an acquisition. If the acquiring company decides not to follow through with the growth for which the Vermont employer was approved for incentives, or decides to layoff newly hired employees, or decides to move the Vermont company or its business, the VEGI program already has mechanisms to terminate and/or recapture the incentives.

For more detail on the VEGI program and acquisitions and/or layoffs, see Appendix 4: VEGI FAQs – Acquisitions and Layoffs.

Positive Economic Impacts of Acquisitions:
If a company is acquired due to its success, the likely result is that the thriving business will be left intact and allowed to continue operating as before, including any planned growth for which incentives were approved. In many cases, the acquisition strengthens the acquired entity and can allow for even more growth through investment by the acquiring entity.

> *"Business growth is fueled by acquisitions. Anything that you do to counter that transaction would be counter to the purpose of the [VEGI] program."*

Another positive impact can be the incremental State tax revenues generated by the acquisition. If the transaction involves a stock sale or sale of equity ownership interest, the State reaps substantial benefits in the form of personal income tax and capital gains revenue from in-state investors and owners. Additionally, continued and additional growth and success of acquired companies results in additional corporate taxes and other taxes and fees paid by businesses.

Acquisitions also have additional positive spin-off impacts on the economy. If an acquisition results in some management buyouts, the likely result is the spin-off of additional entrepreneurial activity, new business creation, and investment in new and existing Vermont businesses. For example, following buy-outs at Dealer.com when it was acquired by DealerTrack, some of the engineers from Dealer started new companies. Others invested in local start-ups. Another former executive is sharing his experience and expertise with start-ups and early stage tech companies.[ii]

One prominent Vermont business lawyer highlighted the importance of acquisitions during the Council's report process. As Tom Moody, Mergers and Acquisitions Manager at Downs, Rachlin, Martin, advised: "Business growth is fueled by acquisitions. It is a mechanism for bringing in outside capital. Anything that you do to counter that transaction would be counter to the purpose of the [VEGI] program."

Obviously, an acquisition or merger can cause negative impacts to the local economy. The acquiring business can decide to close or move the acquired entity. But if this occurs, existing VEGI performance requirement provisions authorize the Council and the Tax Department to prevent incentive payment or cause recapture.

Conclusions and Recommendation:
Businesses go through various forms of growth and change during business life cycles. All businesses are sold at some point during that life cycle, whether through acquisition, merger, succession, or some other form of change. The question posed by Act 157 appears to overlook the positive aspects of mergers and acquisitions and assumes that the sale of a business is the wrong decision for a company and the State. Indeed, in most cases the impact is positive for the business and the economy.

The Council concludes the following:

First, altering the incentive to give the state an investor position in a company is inconsistent with the purpose of the program, as stated by the General Assembly. The arrangement made with a business involved in the VEGI program does not include a role for the State as an investor. The State takes no risk and takes no position in the "capital stack,"[iii] (that is, the various layers of capital, such as pure debt, hybrid debt, and equity potentially available to a specific company) of the project that would allow it to share in the profits. The business and its investors take all the risk. If a business succeeds and generates incremental growth, the state shares a portion of the new tax revenues with the company, provided that the performance requirements have been met and maintained.

Second, if such a mechanism were incorporated in the VEGI program that placed the State in the capital stack, most companies would avoid the incentive program due to the dilution of future returns. As a result, employers would choose other locations or alternative methods for growth that are less favorable to Vermont. Several contributors in our report process who have recently been through acquisitions stated that if recapture of the incentives due to acquisition were part of the program structure, they would not have applied. Thus the growth they experienced would not have occurred in Vermont, in whole or in part. Contributors familiar with investing in businesses stated that requiring a business to pay back earned incentives because of an acquisition is a form of "double-dipping" by the State, which already receives job creation for Vermonters, investment in Vermont, and incremental tax revenue.

Finally, in most acquisition situations, the acquiring entity assumes the pre-acquisition liabilities of the acquired business. If payback of earned VEGI incentives were required solely due to acquisition, the State would be weakening the negotiating position of Vermont companies that met VEGI obligations and then became the target of acquisition. Due to a State policy, the value of the acquired entity would be reduced, thereby also reducing the potential revenue generated to the state by the sale.

Based on the Council's knowledge of the current structure of the VEGI program, our research and experience with acquisitions, and perspectives on acquisitions provided by contributors to this report process, the Council concludes that the VEGI program definitely is not, nor should it be perceived as, a form of equity investment in a business by the State. Further, the Council concludes that the program should not be amended with that goal in mind. Incentives and investments are two separate endeavors with different purposes, goals, and results.

The Council recommends that the VEGI program remain an incentive program and not be interpreted as, or changed to be, a vehicle for equity investment by the State. The existing program includes statutory protections if an acquisition results in activity that should trigger termination or recapture of incentives. For detail, refer to Appendix 4: VEGI FAQs – Acquisitions and Layoffs.

Question 3

Recapture of VEGI Incentives

> *(3) whether and under what circumstances the Department of Taxes should have, and should exercise, the authority to recapture the value of incentives paid to a business that is subsequently sold or relocated out of the State, that eliminates qualifying jobs after receiving an incentive.*

As detailed in Question #2, the "sale" of a business should ***not*** be considered the basis for a recapture of VEGI incentives. There are several types of acquisition, most of which have no impact on the Vermont entity or its operations. An acquisition itself should not be the sole trigger for recapture.

If the General Assembly were to require recapture based solely on acquisition, the Tax Department already has recapture mechanisms in place. However, the authority for the Department to undertake a recapture for this reason would be required in statute. If the acquisition occurs outside of the current VEGI utilization period, a mechanism would be needed to track the business activity of a business no longer in the program. Again, for the reasons included in the report's discussion of Question 2, the Council strongly recommends against requiring recapture of incentives solely on the basis of an acquisition.

In the event a company is acquired and the acquisition results in the cessation or diminution of the economic activity for which VEGI incentives were authorized, or there are layoffs of qualifying employees, or the relocation or closure of the business, whether due to the acquisition or not, the existing program includes safeguards and mechanisms to terminate or recapture incentives. However, recapture is rarely required due to the intentional design of the program's strict performance requirements. When required by statute (32 VSA §3339), the Department of Taxes has and may exercise the authority to terminate or recapture VEGI incentives. For detail, see Appendix 4: VEGI FAQs – Acquisitions and Layoffs.

Question 4

Compliance with Environmental Laws and Regulations

> *(4) how to most effectively ensure, through the application and award process, that recipients of VEGI incentives are in compliance with all federal and State water quality and air quality laws and regulations.*

The VEGI application process administered by the Council and the VEGI claim process administered by the Department of Taxes is designed, by statute (32 VSA §3325(g)), to be an administrative rather than regulatory process. Even if a business is authorized for VEGI incentives for a project that involves permitting, the incentive approval does not obviate the need for any permitting requirements. If the company is unable to obtain the necessary permits and is prevented from going forward, no incentives are ever earned or paid.

A further consideration for imposing such a compliance requirement is the status of projects when a company applies for initial approval of VEGI incentives. Because applicants are required to show that a project would not occur (or would occur in a materially different manner) except for the incentives, the very design of the program means that the company has not yet obtained permits, or even applied for permits, when they begin the VEGI application process. This is especially true for out-of-state companies considering Vermont, some of whom may not have even decided on a site.

Through December 31, 2016, the VEGI program included a Program Guideline that stated:

> ***The enterprise should be welcomed by the host municipality, and should conform to all appropriate town and regional plans and to all permit and approval requirements.***

The Council required that the applicant provide a statement regarding current conformance with permitting (if the company currently operates in Vermont) and information on the proposed project, indicating an understanding by the applicant of the local and state permits that will be required. The Council also obtained letters from the municipality, the regional planning commission, and the regional development corporation, appropriate for the potential location of the project, regarding impact on the community and region, including current compliance with permitting requirements and conformance of the proposed project with local and regional plans.

Act 157 (2016) amended the VEGI program by incorporating most of the Program Guidelines into the program definitions or Mandatory Approval Criteria, as follows:

> ***(b) Mandatory criteria. The Council shall not approve an application unless it finds:***
>
> > ***(1) Except as otherwise provided for an enhanced incentive for a business in a qualifying labor market area under section 3334 of this title, the new revenue the proposed activity generates to the State exceeds the costs of the activity to the State.***
> > ***(2) The host municipality welcomes the new business.***
> > ***(3) The proposed economic activity conforms to applicable town and regional plans.***
> > ***(4) If the business proposes to expand within a limited local market, an incentive would not give the business an unfair competitive advantage over other Vermont businesses in the same or similar line of business and in the same limited local market.***

(5) But for the incentive, the proposed economic activity:
(A) would not occur; or
(B) would occur in a significantly different manner that is significantly less desirable to the State.

Under the new program provisions effective January 1, 2017, the Council requires the company to include a statement regarding compliance with permitting if the company operates in Vermont at the time of application. The Council will also continue to require letters from the municipality, the regional planning commission, and the regional development corporation, appropriate for the location of the project (if known), regarding impact on the community and region, including current compliance with permitting requirements and conformance of the proposed project with local and regional plans.

The requirement for certification of water quality standards by applicants for state-funded grants contained in §13 of Act 154 (2016) does not apply to the VEGI program because the VEGI program is not a grant. The certification in that Act will be implemented by the Agencies of Natural Resources and Agriculture as part of the Standard State Provisions for Contracts and Grants (Attachment C), which does not apply to the VEGI program.

Conclusion and Recommendation:
Due to the importance of improving and protecting the quality of our valuable water and air resources, the Council recommends the inclusion of a self-certification by applicant companies during the VEGI application and claim processes. In general, the Council supports the "good-standing" certification proposed by the Agency of Natural Resources (ANR), as shown in Appendix 5 of this report, with certain adjustments appropriate for the VEGI program.

The process proposed by ANR would place the requirement for a certification in "Attachment C," the Standard State Provisions for Contracts and Grants controlling state grant agreements and the disbursement of grant funds by the Vermont Agencies of Natural Resources or Agriculture. The certification would be provided by the grantee when they sign the grant agreement.

The equivalent events in the VEGI process occur after the application process concludes and incentives are authorized by the Council. Company officers must sign and certify a VEGI Authorization Document, which details the requirements to earn and receive incentive payments. Then, each year, the company files an annual VEGI claim, proving that performance requirements have been met and/or maintained.

The Council recommends that a self-certification by companies authorized for VEGI incentives be included at these stages in the VEGI application and claim process. See Appendix 6 for a detailed proposal for implementation of a "good-standing" self-certification process similar to the ANR proposal, altered to be appropriate for the VEGI program.

Question 5

Incentives for Fast Growing Companies

> *(5) the size, industry, and profile of the businesses that historically have experienced, and are forecast to experience, the most growth in Vermont, and whether the Program should be more targeted to these businesses.*

The Department of Labor tracks employment by business sector. The results from the past 14 years are included in Appendix 7. In addition to historical trends, The Department of Labor partners with the federal Bureau of Labor Statistics to forecast future employment trends and these results are also included in Appendix 7.

When reviewing the data, a factor influencing the interpretation of growth is the difference between percentage growth and growth in the number of employees for any given sector. Smaller sectors may show higher rates of growth, but generate only a modest number of new jobs. Because the state economy is influenced by total jobs, it may be more important to consider the number of jobs rather than the percentage of growth.

Similar to growth, another possible target for incentives is the relative concentration of activity taking place in Vermont. Higher concentrations measured by a Location Quotient represent businesses that have greater capacity for support services, supply chain and the healthy churn of employees switching jobs and sharing experience between associated firms.

Even with all of the factors that complicate the interpretation of growth data, the fundamental question arises as to whether or not it is appropriate to target an incentive by sector due to its rapid growth. In some circumstances, conditions for growth may already be met without providing incentives.

The ideal focus for incentives would be finding sectors that are near a tipping point – where the modest incentives provided through VEGI would lead to the greatest difference in employment. In some cases, a rapidly growing sector may be further accelerated with the incentive and in other cases, a currently slow growth or stagnant sector may be given the extra support needed to increase market share.

Identifying sectors with the greatest potential for incentive-fueled growth is not an assignment easily accomplished by government or even the private sector.

Many of the VEGI applicants are concentrated in the higher growth sectors such as Specialty Food Manufacturing and Professional and Business Services. Some of the other higher growth sectors may not be appropriate for the VEGI program. Many natural resource businesses are seasonal. Mining must occur at a particular place, making it difficult to meet the But For, unless the decision is to leave the resource in the ground. Most Leisure and Hospitality jobs are part time or seasonal and tend to be very location-dependent.

Of the 106 applications considered by the Council through the end of 2016, 48% were from the Non-Durable Manufacturing sector – mainly from the specialty foods industry. Another 18% were from the

Professional and Business Services sectors. The sectors applying to the program are from the fastest growing sectors that can qualify under the current program criteria.

Appendix 8 shows the Vermont companies that are among the 5,000 fastest growing companies in the U.S. according to the Inc. 5000 lists, which measures growth based on sales volume. Four of the 22 Vermont companies on that list have participated in the VEGI program. Many of the companies on the list may have increased sales without substantially increasing employment, which is a requisite for the VEGI program. Others may have increased employment, but not beyond organic growth levels, another requisite for the VEGI program.

Another measure of the fastest growing companies in Vermont is the Vermont 100 listing from the ***Vermont Business Magazine*** (2015-2016). Of the top Technology Firms and Software Developers, four are in the VEGI program. Among the top ten firms in the Five-Year and Ten-Year Fastest Sales Growth, four are in the program. Of the top ten Twenty-five Year Fastest Sales growth, four are in the program.

These data indicate that among the sectors and types of businesses that can qualify under the current program criteria, many of the fastest growing companies - measured either by employment or sales - are participating in the program. Part of this is due to the fact that if a company is growing fast - beyond normal growth for the sector - it can overcome the background growth requirement of the program and would likely apply for incentives. Or, alternatively, the State would offer incentives to ensure that the growth occurs in Vermont instead of elsewhere.

Conclusions and Recommendation:

To increase participation by companies in fast-growing sectors that are nor currently applying would require changes to the program that risk dilution of the purpose of the program. For example, counting seasonal employment or eliminating the "Limited, Local Market" prohibition would allow applications from those in the Leisure and Hospitality and Natural Resources industries. Eliminating or adjusting the background growth requirement, as was done for the Green VEGI Enhancement, would allow more applications from businesses that are growing, but at rates at or under background growth rates used for their sectors.

The Council recommends that instead of trying to pick winners by focusing on fast growing sectors, the current approach should be maintained: businesses considering growth may apply for the VEGI incentive and make their case for how significantly the incentive will influence their growth decision.

Question 6

Incentives for Small Businesses

> *(6) changes to the Program to ensure incentives will benefit the creation and growth of more small businesses.*

Responding to Question #6 and similar questions is always made more difficult because "small business" can be defined differently depending on the context and who is determining that term.

Appendix 9 shows the US Small Business Administration (USSBA) small business profile for Vermont. The Federal Government uses 500 employees as the dividing line between "small" and "large" firms. Additionally, the Federal data includes the parent company employment when categorizing the company as "large" versus "small." A company with only 20 employees in Vermont and 500 outside of Vermont and would be classified as "large" in the Vermont profile. A further issue complicating the use of both USSBA and Vermont Department of Labor data is that any firm with one or more employee is included in the "small" or "less than 20" category. The majority of these firms are in retail, hospitality, or other sectors that would never qualify for the VEGI program due to background growth or other program requirements, particularly the wage threshold and requirement to count only full-time employment.

For the purposes of the discussion of Question 6 in this report, we will use the following definitions:

"Microbusiness" = firms with 1 to 9 full-time employees
"Small" = firms with 10 to 99 full-time employees
"Medium" = firms with 100 to 499 fulltime employees
"Large" = firms with 500 or more full-time employees

By this definition, the vast majority of businesses in Vermont, including those that have applied to the VEGI program, are **small** businesses. In Appendix 10, we have compiled three sets of data using full-time employment in increments of 20:

- Size of company ***in Vermont***, at the time of application to VEGI;
- Size of company at ***parent company*** level, at time of VEGI application; and
- Total size of Vermont companies, per Vermont DOL Q1, 2015.

As the data in Appendix 10 indicates, 77% of the firms applying to the VEGI program are, in fact micro or small businesses. Another 17% are medium-size businesses. Only 6% of the applicants are considered large, or having more than 500 employees.

Even when measured using the parent company for the metric, 62% are micro and small, 22% are medium, and 15% large. This is largely because 75% of the companies in the program are Vermont-based businesses with their headquarters in Vermont.

The third graph breaks down the businesses in Vermont by the same employment increments during the first quarter of 2015. Using the number of employees by percent of total, the percentages in the small, medium, and large categories track very closely to the VEGI numbers. Again, the firms under

TABLE 4

SMALL BUSINESSES IN VEGI PROGRAM		
Name	# FT Qualifying Emp at Application	Type
New England Supply	0	Start-up
Vt Smoke & Cure	2	Expansion
Performa Ltd	1	Start-up
Revision Ballistics	0	Restart
Freedom Foods	2	Expansion
Vt Packinghouse	0	Start-up
Precyse Solutions	7	Expansion
Kingdom Pellet	0	Start-up
Caledonia Spirits	6	Expansion

20 employees include thousands of firms in retail and hospitality that would never qualify for the VEGI program.

Additionally, when the incentive was transformed in 2006 from tax credits offered under the EATI program to cash incentives offered under the VEGI program, the program became far more accessible to both small businesses and start-ups. The program is no longer tied to a firm's taxes, requiring a profit and thereby a tax liability against which to apply a tax credit. A small business, and especially a start-up, can earn and receive the incentive if it successfully meets and maintains performance requirements without having to carry-forward a tax credit until it is profitable.

Despite these changes, there will always be a subset of very small companies that do not apply to the program and project types for which the VEGI program is not an appropriate tool. This is primarily because they cannot meet the But For requirement or the project does not overcome the required background growth for the company sector. There are likely other economic development tools more appropriate for certain circumstances.

Conclusions and Recommendations:

The perception that the VEGI program benefits only "big businesses" is not supported by the data. There are certain types of small businesses - especially microbusinesses - which do not apply for or are not eligible due to certain program requirements. But the vast majority of businesses in the program are small businesses - ***seventy-five percent of all applicants***. Even innovators and entrepreneurs fare well - twenty-two percent of the applicants to the program have been start-ups. See Table 4 for a partial listing of small businesses with under ten employees that are active in the program.

The program is successfully serving the small business community. Further, authorizing incentives for medium and large businesses does not preclude incentives for micro and small businesses as long as the program cap is not reached. Therefore, the Council does not recommend any changes to the program in response to this question as the program already meets the goal of the question.

Some of the following ideas regarding small business and start-ups trended from contributors during our report process, which are outside the VEGI program, but nonetheless valuable:

- Additional resources for business advising, counseling and mentoring, management training, and business financial literacy and marketing advice.
- Through existing networks, but with additional resources, encourage business success and entrepreneurship by building a business culture that actively promotes management training with business coaches and advisors and having an external advisory board; where business managers and owners actively seek outside help and advice and look for opportunities to collaborate.
- Capital, in the form of cash and loans, to launch and use as working capital, always combined with technical assistance.

Question 7

Confidentiality

> *(7) whether additional applicant and program data reporting and transparency could be accomplished without damage to applicant businesses.*

The Council, including staff, is mandated by Vermont law to protect the confidentiality of information and data provided by applicants to the VEGI program. The relevant sections of statute are, in summary:

- 1 VSA § 317(c), which, among other things, exempts from public inspection and copying:
  - Records which, if made public would cause the custodian to violate any statutory or common law. In this case, the custodians are the Council, ACCD, and Tax staff;
  - A tax return and related documents; and
  - Trade secrets, meaning confidential business records or information…which gives its user or owner an opportunity to obtain business advantage over competitors who do not know it or use it.
- 32 VSA §3241, a provision within the VEGI program statute which specifically exempts the information and materials submitted by a business concerning its income taxes and other confidential financial information from public disclosure. This provision provides a process for making such information available to the State Auditor of Accounts and, through the Joint Fiscal Office, to the Joint Fiscal Committee or a standing committee of the General Assembly. This provision also makes it clear that data and information may be published in a form that does not disclose or allow for identification of a particular business. The Council interprets this to mean aggregated data.

For the actual statutory language of these sections of statute, see Appendix 11.

In 2000, the Council sought an opinion from the Vermont Attorney General's office regarding the confidentiality status of the information submitted by applicants and the materials prepared by Council staff and the Council during the application process. The AG's office concluded that the materials and information are considered confidential because release could reasonably cause adverse impact in the market for the applicant.

The Council takes very seriously the confidentiality of information submitted by VEGI applicants and any resulting analyses or reports. New Council members are briefed on the confidentiality statute; the Council's operating procedures include a section on confidentiality; the online application system includes password protection, firewalls, and other protections approved by ACCD, the Tax Department, and DII; Council meeting materials are shared on a secure cloud-based system; and although applicant information is rarely emailed, it is only done so using a secure system. Consideration of VEGI applications takes place in executive session, with the votes occurring in open session.

The only information released publicly and routinely are the date of Initial and Final Application, company name, location of the project, total (aggregate) amount of incentives authorized to the company, Minimum Net Revenue Benefit to the State, enhancements considered, authorization period, status of incentives, and type of project (expansion, recruitment, start-up, etc.).

The Council publishes the minutes of each monthly Council meeting online. The minutes include each application considered, including the name of the company, location, incentive amount approved or denied, application type (Initial or Final) and the minimal net revenue benefit to the state. If the Council took any other action related to a previous approval, such as terminating incentives previously approved, that action is also reflected in the minutes.

Additionally, although it is not required by statute, after each monthly meeting a complete list of applications from the start of the program is posted on our website with the following information: the date of Initial and Final Application, company name, location of the project, total (aggregate) amount of incentives authorized to the company, Minimum Net Revenue Benefit to the State, enhancements considered, authorization period, status of incentives, and type of project (expansion, recruitment, start-up, etc.). A similar list is also published monthly containing only the active projects. Also updated monthly and posted on the website is a summary of all aggregate data for the program. For the latest postings on our website, click here: Complete List of Applicants; Active Projects; Program Data Summary.

Finally, the Council, jointly with the Tax Department, also publishes an annual program report as required by statute (32 VSA §3340). This reporting provision specifically states, "The Council and Department shall use measures to protect proprietary financial information in an aggregate form." The reports include all the information required by statute, including all incentive authorization data (number of applications, incentives approved, projected new jobs and payroll, projected investments, and estimated net revenue benefit to be generated to the state, activity measured against the caps), and the actual activity that has occurred (jobs and payroll created, investments made, incentives paid, and actual net revenue benefit generated to the State), plus additional information including program pipeline data, individual stories of Vermonters hired by VEGI companies, number and reasons for terminated incentives, and data on types of jobs to be created, wage ranges, benefits offered, firm size, type of projects, type of facility expansions, and distribution of incentives and jobs by region. Click here to view the 2016 Annual Report.

"For a company such as ours who operates on a global scale, proprietary information is crucial to Seventh Generation's participation. While we embrace transparency heavily, our opinion is that strategic plans must remain confidential. Reporting in aggregate is the preferred method."

It is widely recognized that business projections and plans, such as the hiring and investment projections included in a VEGI application, are extremely sensitive and, if shared directly or inadvertently with the applicant's competitors, would cause damage to the company's competitive advantage. The purpose of the VEGI program is to encourage job growth and investment in Vermont beyond a company's organic growth. The State, its employees, and those appointed to make incentive determinations, must not be put in a position that might damage the competitiveness of our State's businesses, especially through the very program meant to make them more competitive.

The Council heard this confirmed by several contributors during our report process. Chris Lyon, Manager of Community Services for Seventh Generation stated, "For a company such as ours who operates on a global scale, proprietary information is crucial to Seventh Generation's participation. While we embrace transparency heavily, our opinion is that strategic plans must remain confidential. Reporting in aggregate is the preferred method."

The contributors also reiterated that release of this information after VEGI approval, during the life of the project, and even after conclusion of the project and payment of the incentive, could be damaging to their competitiveness. The contributors recommended against any release of proprietary information at a level that would identify or could be attributed to a specific company.

An argument often made to support the release of company-specific data and information is that the incentive applied for is provided "by the taxpayer." This is not exactly true. A review of the Council's response to Question 2 provides a more detailed explanation. For the purposes of this response, the taxpayer providing the tax revenue from which the incentive is being paid is actually the company authorized for incentives. This is recognized by the program purpose statement included in statute by the General Assembly, which states:

> "The purpose of the Vermont Employment Growth Incentive Program is ***to generate net new revenue to the State*** by encouraging a business to add new payroll, create new jobs, and make new capital investments ***and sharing a portion of the revenue with the business***." (emphasis added)

Conclusion and Recommendation:
The Council emphasizes that the determination to authorize incentives is not based primarily on qualitative information. The General Assembly has asked a body of Vermont volunteer citizens to make a determination to authorize incentives primarily based on detailed, objective, quantitative and proprietary information. The information is confidential for several reasons, but primarily to protect the competitive advantage of the applicant. If this were information that should be public, there would be no reason to have a Council. Release of proprietary business information on a company basis does not serve or benefit the Council, the applicant companies, or the citizens of Vermont.

The Council strongly discourages amending the statute in a way that would require the release or publication of company or VEGI applicant specific data or information, or any data or information generated in the VEGI application or claim processes that is company-specific or is in a form in which a company or applicant can be identified or can be associated with a particular business.

Such a change would significantly deter companies from applying to the program. Prospective job growth through the recruitment of companies to Vermont using the VEGI program would be substantially reduced, if not eliminated. Growth by Vermont companies considering significant projects would also be hindered.

The Council further recommends that if there are specific sets of aggregated data or other types of information that are not currently included in the published monthly program updates or the annual reports, that the General Assembly should discuss with the Council and the Department of Taxes whether it is possible to provide that information and, if so, include it in the statutory reporting requirement.

Further, to clarify the confidentiality of VEGI applications and claim information, the Council suggests that the confidentiality provision in Title 32 be amended as follows:

> ***"§3341. (b) <u>Information and materials submitted by a business to the Vermont Economic Progress Council, and any company specific data, information, material, or reports generated by the Council, for the application process contained in this subchapter, or information and materials submitted by a business to the Department of Taxes, and any company specific data, information, material, or reports generated by the Department for the claim process contained in this subchapter,</u> and any other confidential financial information shall not be subject to public disclosure…*(continue as in current statute)."**

Finally, the Council recommends that a provision be added to 32 VSA §3341 that states and affirms that the Council and the Department of Taxes may share with each other any and all information, materials, reports, and data of VEGI applicants and claimants, at the company-specific level.

Question 8

Employee Benefits

> *(8) quantifiable standards for the type, quality, and value of employee benefits that an applicant must offer in order for a new job to count as a "qualifying job" for purposes of the Vermont Employment Growth Incentive Program.*

When a company decides to expand in Vermont, it will project the creation of the types and levels of jobs required to achieve the goals of the project. It will hire at compensation levels (wages and benefits) the market will bear. If the company applies for VEGI incentives, payroll for all new jobs is included in the cost-benefit model to determine the economic impact of the project, but only the payroll of incremental "qualifying jobs" can be included in the incentive calculation.

When the VEGI program first started, it carried forward the nine Program Guidelines contained in the prior EATI program. One of those Guidelines stated:

> (2) The new jobs should make a net positive contribution to employment consistent with the applicable wage threshold for the labor market area. The jobs should offer ***benefits*** and opportunities for advancement and professional growth ***consistent with the employment sector***. (Emphasis added)

This provision made benefits, consistent with the applicant's industry sector, a required part of the overall compensation for the new jobs when the Council reviewed how well the applicant met each Program Guideline.

In 2015, Act 51 amended the statute (32 VSA §5930b (20)), defining a "qualifying job" to include a list of eight benefits, at least three of which must be offered for the new employee's payroll to be considered qualifying under VEGI.

The current definition for a "qualifying job," in 32 VSA §3331(9) is a new, permanent employee that:

- Works in Vermont (the company withholds Vermont payroll taxes for the employee);
- Is not an owner (does not have a 10% or more ownership interest in the company);
- Is full-time (regularly works at least 35 hours per week);
- Receives an average annual wage or salary paid by the applicant company that is 140% or 160% of Vermont Minimum Wage, depending on the Labor Market Area in which the project will occur; and
- The business provides for the position, at least three of the following:
    - Health care benefits with 50% or more of the premium paid by the business;
    - Dental assistance
    - Paid vacation
    - Paid holidays
    - Child care
    - Other extraordinary employee benefits
    - Retirement benefits
    - Other paid time off, excluding paid sick leave

Click here for program information on "qualifying jobs" provided to applicants. In their application, companies must provide details on the benefits they offer or will offer to the qualifying employees, including the type of benefit and the percentage of the premium or benefit paid by the employer. Applicants also provide a "Benefits Ratio," which is the percentage of total compensation represented by the cost of employee benefits. They are also asked to provide general company information on benefits packages. This information is certified by company officers as part of the application submittal. When VEGI claims are filed, the claimant company must once again detail and certify the benefits offered to new, qualifying employees and the percentage of the benefit or premium paid by the employer.

Appendix 12 provides data on the benefits offered by the 58 companies in the VEGI program that are active or have received incentives (excluding rescinded or terminated projects that received no incentive payments). The data indicates the following:

- 100% of the companies offer some benefits;
- The benefits ratio (benefits as percentage of total compensation) range from 15% to 70% of total compensation and the average is 24%;
- All except one company offered health care benefits with a portion of the premium paid by the employer, with the average premium paid by the employer at 76%;
- 78% cover a portion of dental (average 65% of premium) and 57% cover a portion of vision (average 62% of premium);
- 69% cover life insurance (average 92% of premium);
- 66% cover short and long term disability insurance (average 86% of premium);
- 21% cover Accidental Death and Dismemberment insurance (average 100% of premium)
- 71% make a retirement plan contribution.

The percentages of benefits offered and the rates at which premiums are paid by VEGI employers compare very favorably the averages for similar sized companies in the last Vermont DOL Fringe Benefit Study (2013) and the 2016 Vermont Employee Benefits Survey published by Hickok Boardman HR Intelligence.

Also, the history detailed above shows that the definition of a qualifying job, especially in regard to the requirement for the new job to include specific benefits, has become increasingly more prescriptive during the life of the program, diminishing the discretion of the Council to allow incentives for new jobs when the circumstances do not meet a narrow statutory wage and benefits requirement.

Conclusions and Recommendation:
It is extremely important to remember the statutory intent and purpose of this program:

> ***…to generate net new revenue to the State by encouraging a business to add new payroll, create new jobs, and make new capital investments and sharing a portion of the revenue with the business.***

The VEGI incentives do not reward a company for creating low-paying jobs. The incentives are meant to ***encourage*** the creation of new good-paying jobs that employers might otherwise not create, create elsewhere, create over a longer period of time or create in smaller numbers.

The program is all about ***new, entry level*** jobs, not jobs that have been in existence for a period. Further, many applicants to the program are in some form of mezzanine growth decision-making circumstance. For example, an applicant with 10 or so part-time employees with no benefits may be contemplating a move from a small, leased facility to a new or renovated, owned building that will allow for growth and converting part-time employees to full-time with benefits. Similar situations occur when Canadian or other foreign entity contemplates establishing an operation in Vermont. At the time of an Initial Application, the company may not know the range and type of benefits that may be required or will be offered.

As evidenced by the inclusion of Question #6 in this policy review, there is an expectation by some that the VEGI program should be more accessible to start-ups and very small businesses. If that is true, the requirement for flexibility regarding benefits as expressed in this report is especially important.

The wage and benefit expectations and requirements of the VEGI program should reflect these important realities for the program to remain effective. If the wage and benefit requirements are further prescribed, the Council should be allowed flexibility to utilize discretion to authorize incentives when the circumstances warrant approval.

The Council understands the basic concern underlying the review requested by Question 8 is the quality of the benefit. For example, a health care plan covered by an employer at 100% that has high out-of-pocket costs and deductibles is going to have less value to the employee than a policy with low out-of-pocket costs and deductibles that an employer covers at 75%.

The Council heard from several contributors on this question, including some human resource and employee benefit professionals. The Council concludes that finding a solution is complicated by the following:

- The Council is being asked to make recommendations on a VEGI program component that is part of a much larger issue that will soon be the subject of renewed debate on the national and state level;
- There are no industry or government standards for valuating or quantifying benefits. This is not to say it cannot be done. The ***cost*** can likely be calculated but the value depends on group size and demographics. Trying to place a value, ***to the employee***, of one benefit or set of benefits versus another is impossible. Cost does not always equal value to the employee.
- The difficulty is especially true for health care insurance, given the complexities of various plans, plan levels, and the complication of state-offered plans.
- All benefits that have differing costs for coverage - such as employee only, employee and spouse, and family - add another level of complexity when trying to compare costs.
- Companies at differing positions on the business development continuum should not be expected or required to offer the same benefits or benefit value.

Based on the research conducted and the perspectives provided by contributors to our report process, at this time the Council recommends no changes to the current benefit requirement in the definition of qualifying job.

If the requirement were to be amended, the Council would suggest revising the definition of a qualifying job by deleting the list of benefits and replacing it with language such as: "***The business provides benefits for new employees consistent with entry level positions in the business' employment sector in Vermont***."

The Council will collect more detailed data and information on benefits offered by applicants to the program and companies already in the program to determine if the value of the benefits offered are out of line with companies of comparable size and position in the business continuum (start-up; new, mezzanine, poised for growth, legacy, established, etc.) in Vermont. The Council will include this information in future VEGI annual reports.

Other potential changes to the program's employee benefit requirement were discussed and considered during the report process, but the Council concluded that they do not meet the guiding principles stated in the Executive Summary and therefore the Council does not recommend consideration of these options by the General Assembly. Further details on these concepts are included in Appendix 13.

APPENDICES

Appendix 1

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Question 1. Are Enhanced Incentives Appropriate and Necessary

Regular and LMA VEGI Enhancement Calculation

VERMONT EMPLOYMENT GROWTH INCENTIVE

NORMAL CALCULATION

INCENTIVE PERCENTAGE CALCULATION		
Pre-Incentive Net Fiscal Benefit for State: (As calculated by cost-benefit model)		$619,242
(TIMES) Statutory Incentive Ratio	X	80%
(EQUALS) Post-Incentive Ratio C/B Net Fiscal Benefit:	=	$495,394
(DIVIDED BY)Total Qualified Payroll Increase	÷	$2,320,153
(EQUALS) Incentive Percentage	=	**21.35%**

PAYROLL AND BACKGROUND GROWTH CALCULATION		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Totals
Background Growth Rate:	**2.19%**	**2016**	**2017**	**2018**	**2019**	**2020**	
Base Payroll	$0	$330,262	$966,295	$1,760,524	$2,088,515	$2,423,065	
Incremental Qualifying Payroll		$330,262	$629,428	$774,903	$292,780	$292,780	$2,320,153
Organic Growth		$7,224	$337,486	$344,867	$352,410	$360,118	
Incremental Background growth		$7,224	$7,224	$7,382	$7,543	$7,708	$37,080
Payroll to be incented		**$323,038**	**$622,204**	**$767,521**	**$285,237**	**$285,072**	$2,283,073

THEORETICAL INCENTIVE AMOUNT AND PAYOUT CALCULATION

Year	Max. Incentive Amount	Number of Jobs	2017 1	2018 2	2019 3	2020 4	2021 5	2022 6	2023 7	2024 8	2025 9
1 - 2016	$68,969	10	$11,495	$13,794	$13,794	$13,794	$13,794				
2 - 2017	$132,841	20		$22,140	$26,568	$26,568	$26,568	$26,568			
3 - 2018	$163,866	25			$27,311	$32,773	$32,773	$32,773	$32,773		
4 - 2019	$60,898	10				$10,150	$12,180	$12,180	$12,180	$12,180	
5 - 2020	$60,863	10					$10,144	$12,173	$12,173	$12,173	$12,173
Total	$487,436 [1]	75									
Annual Sum of Incentives:			**$11,495**	**$35,934**	**$67,673**	**$83,285**	**$95,459**	**$83,693**	**$57,125**	**$24,352**	**$12,173**
Cumulative Total			$11,495	$47,429	$115,102	$198,387	$293,845	$377,539	$434,664	$459,016	$471,189 [2]
NET REVENUE BENEFIT TO STATE OF VERMONT (AFTER ALL COSTS, INCLUDING COST OF INCENTIVES):											**$184,758**

LMA ENHANCEMENT CALCULATION

INCENTIVE PERCENTAGE CALCULATION			
Pre-Incentive Net Fiscal Benefit for State: (As calculated by cost-benefit model)		$619,242	
(TIMES) Statutory Incentive Ratio	X	80%	
(EQUALS) Post-Incentive Ratio C/B Net Fiscal Benefit:	=	$495,394	
(DIVIDED BY)Total Qualified Payroll Increase	÷	$2,320,153	
(EQUALS) Incentive Percentage	=	**30.43%**	**LMA Enhancement Using 100% of Estimated Net Revenue**

PAYROLL AND BACKGROUND GROWTH CALCULATION		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Totals
Background Growth Rate:	**2.19%**	**2016**	**2017**	**2018**	**2019**	**2020**	
Base Payroll	$0	$330,262	$966,295	$1,760,524	$2,088,515	$2,423,065	
Incremental Qualifying Payroll		$330,262	$629,428	$774,903	$292,780	$292,780	$2,320,153
Organic Growth		$7,224	$337,486	$344,867	$352,410	$360,118	
Incremental Background growth		$7,224	$7,224	$7,382	$7,543	$7,708	$37,080
Payroll to be incented		**$323,038**	**$622,204**	**$767,521**	**$285,237**	**$285,072**	$2,283,073

THEORETICAL INCENTIVE AMOUNT AND PAYOUT CALCULATION

Year	Maximum Incentive Amount	Number of Jobs	2017 1	2018 2	2019 3	2020 4	2021 5	2022 6	2023 7	2024 8	2025 9
1 - 2016	$98,297	10	$16,383	$19,659	$19,659	$19,659	$19,659				
2 - 2017	$189,329	20		$31,555	$37,866	$37,866	$37,866	$37,866			
3 - 2018	$233,547	25			$38,925	$46,709	$46,709	$46,709	$46,709		
4 - 2019	$86,794	10				$14,466	$17,359	$17,359	$17,359	$17,359	
5 - 2020	$86,744	10					$14,457	$17,349	$17,349	$17,349	$17,349
Total	$694,711 [1]	75									
	Annual Sum of Incentives:		**$16,383**	**$51,214**	**$96,450**	**$118,701**	**$136,050**	**$119,283**	**$81,417**	**$34,708**	**$17,349**
	Cumulative Total:		$16,383	$67,597	$164,048	$282,748	$418,799	$538,082	$619,499	$654,206	**$671,555** [2]
NET REVENUE BENEFIT TO STATE OF VERMONT (AFTER ALL COSTS, INCLUDING COST OF INCENTIVES):								**$0**	**Due to LMA Enhancement**		

PERFORMANCE REQUIREMENTS

	2015	2016	2017	2018	2019	Totals
QUALIFYING PAYROLL	$0	$0	$0	$184,758	$0	**$184,758**
QUALIFYING JOBS	10	20	25	10	10	**75**
QUALIFYING CAPITAL INVESTMENT	$500,700	$118,300	$118,000	$110,000	$70,000	**$917,000**

FOOTNOTES

1 Total "Incentive Amount" assumes all hires start January 1 of each year.
This is the maximum amount of incentive that could be earned if all new employees are hired January 1 of each year.

2 Theoretical payout assumes partial year hiring as represented in application, and therefore adjusts the first installment paid for each incentive amount earned.
This is the estimated amount of incentives that will be paid based on the application data.

Appendix 2

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Question 1. Are Enhanced Incentives Appropriate and Necessary

Regular and Green VEGI Enhancement Calculation

VERMONT EMPLOYMENT GROWTH INCENTIVE

NORMAL CALCULATION

INCENTIVE PERCENTAGE CALCULATION

Pre-Incentive Net Fiscal Benefit for State: (As calculated by cost-benefit model)		$616,971
(TIMES) Statutory Incentive Ratio	X	80%
(EQUALS) Post-Incentive Ratio C/B Net Fiscal Benefit:	=	$493,577
(DIVIDED BY)Total Qualified Payroll Increase	÷	$2,345,500
(EQUALS) Incentive Percentage	=	**21.04%**

PAYROLL AND BACKGROUND GROWTH CALCULATION

		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Totals
Background Growth Rate:	**4.39%**	**2012**	**2013**	**2014**	**2015**	**2016**	
Base Payroll	$8,859,851	$9,548,235	$10,720,165	$11,633,971	$12,434,330	$13,061,704	
Incremental Qualifying Payroll		$605,500	$790,000	$485,000	$335,000	$130,000	$2,345,500
Organic Growth		$9,248,591	$9,654,387	$10,077,988	$10,520,175	$10,981,764	
Incremental Background growth		$388,740	$405,796	$423,601	$442,187	$461,589	$2,121,913
Payroll to be incented		**$216,760**	**$384,204**	**$61,399**	**-$107,187**	**-$331,589**	$223,587

THEORETICAL INCENTIVE AMOUNT AND PAYOUT CALCULATION

Year	Max. Incentive Amount	Number of Jobs	2013 1	2014 2	2015 3	2016 4	2017 5	2018 6	2019 7	2020 8	2021 9
1 - 2012	$45,606	5	$5,321	$9,121	$9,121	$9,121	$9,121				
2 - 2013	$80,836	8		$9,431	$16,167	$16,167	$16,167	$16,167			
3 - 2014	$12,918	7			$1,507	$2,584	$2,584	$2,584	$2,584		
4 - 2015	$0	5				$0	$0	$0	$0	$0	
5 - 2016	$0	2					$0	$0	$0	$0	$0
Total	$139,361 [1]	27									
Annual Sum of Incentives:			**$5,321**	**$18,552**	**$26,796**	**$27,872**	**$27,872**	**$18,751**	**$2,584**	**$0**	**$0**
Cumulative Total			$5,321	$23,873	$50,669	$78,541	$106,413	$125,164	$127,748	$127,748	$127,748 [2]

NET REVENUE BENEFIT TO STATE OF VERMONT (AFTER ALL COSTS, INCLUDING COST OF INCENTIVES): **$496,382**

GREEN VEGI CALCULATION

INCENTIVE PERCENTAGE CALCULATION

Pre-Incentive Net Fiscal Benefit for State: (As calculated by cost-benefit model)		$616,971	
(TIMES) Statutory Incentive Ratio	X	**90%**	**Incentive ratio is 90% vs 80%**
(EQUALS) Post-Incentive Ratio C/B Net Fiscal Benefit:	=	$555,274	
(DIVIDED BY)Total Qualified Payroll Increase	÷	$2,345,500	
(EQUALS) Incentive Percentage	=	**23.67%**	**Incentive Percentage increases due to 90% Incentive Ratio**

PAYROLL AND BACKGROUND GROWTH CALCULATION

		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Totals	
Background Growth Rate:	**4.39%**	**2012**	**2013**	**2014**	**2015**	**2016**		
Base Payroll	$8,859,851	$9,548,235	$10,720,165	$11,633,971	$12,434,330	$13,061,704		
Incremental Qualifying Payroll		$605,500	$790,000	$485,000	$335,000	$130,000	$2,345,500	
Organic Growth		$9,248,591	$9,654,387	$10,077,988	$10,520,175	$10,981,764		
Incremental Background growth		$77,748	$81,159	$84,720	$88,437	$92,318	$424,383	**Background Growth Amount is 20% of Normal**
Payroll to be incented		**$527,752**	**$708,841**	**$400,280**	**$246,563**	**$37,682**	$1,921,117	

THEORETICAL INCENTIVE AMOUNT AND PAYOUT CALCULATION

Year	Max. Incentive Amount	Number of Jobs	2013 1	2014 2	2015 3	2016 4	2017 5	2018 6	2019 7	2020 8	2021 9
1 - 2012	$124,940	5	$14,574	$24,988	$24,988	$24,988	$24,988				
2 - 2013	$167,811	8		$19,575	$33,562	$33,562	$33,562	$33,562			
3 - 2014	$94,762	7			$11,054	$18,952	$18,952	$18,952	$18,952		
4 - 2015	$58,371	5				$6,809	$11,674	$11,674	$11,674	$11,674	
5 - 2016	$8,921	2					$1,041	$1,784	$1,784	$1,784	$1,784
Total	$454,806 [1]	27									
Annual Sum of Incentives:			**$14,574**	**$44,563**	**$69,604**	**$84,312**	**$90,218**	**$65,973**	**$32,411**	**$13,458**	**$1,784**
Cumulative Total			$14,574	$59,137	$128,741	$213,053	$303,271	$369,244	$401,655	$415,113	$416,897 [2]

NET REVENUE BENEFIT TO STATE OF VERMONT (AFTER ALL COSTS, INCLUDING COST OF INCENTIVES): **$233,150** **Net Return is Reduced Due to Green VEGI Calculations**

PERFORMANCE MEASURES

	2012	2013	2014	2015	2016	Totals
QUALIFYING PAYROLL	$605,500	$790,000	$485,000	$335,000	$130,000	**$2,345,500**
QUALIFYING JOBS	5	8	7	5	2	**27**
QUALIFYING CAPITAL INVESTMENT	$0	$0	$0	$0	$0	**$0**

FOOTNOTES

1 Total "Incentive Amount" assumes all hires start January 1 of each year.
This is the maximum amount of incentive that could be earned if all new employees are hired January 1 of each year.

2 Theoretical payout assumes partial year hiring as represented in application, and therefore adjusts the first installment oaid for each incentive amount earned.
This is the approximate amount of incentives that will be paid based on application data.

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Appendix 3

Question 1.A. Vermont's Environmental Technology Sector (as defined by VEGI Statute)
Green VEGI Employment Trends

Growth History
Prepared by: Kenneth Jones, ACCD

"Green VEGI" Definition: To be eligible for the enhancement, the Vermont Secretary of Commerce must certify that the activity to be incented will be primarily in research, design, engineering, development, or manufacturing related to any one or more of the following:

- Waste management, including waste collection, treatment, disposal, reduction, recycling, and remediation.
- Natural resource protection and management including water and wastewater purification and treatment, air pollution control and prevention or remediation, soil and groundwater protection or remediation, and hazardous waste control or remediation.
- Energy efficiency or conservation.
- Clean energy, including solar, wind, wave, hydro, geothermal, hydrogen, fuel cells, waste-to-energy, or biomass.

In General *– Much of the data included in the first two sections of this analysis are based on employment data collected by the Department of Labor. This data excludes self-employed and sole proprietor businesses.*

Waste Management – The Vermont Department of Labor specifically separates waste management as a business sector in its report of employment. In the ten-year period 2005- 2015, employment in this sector was stable with an increase in total wages of slightly more than 7% (not adjusted for inflation).

Natural Resource Protection and Management – There are several subcategories in this group, which is lumped into one sector in the Green VEGI language:

Water quality protection - Sewer line construction is one business activity and its activity is measured together with water line construction. The private sector activity in water and sewer line construction has declined when comparing 2005 and 2015

Wastewater management – Much of the work in wastewater management is at the municipal level in the operation and maintenance of wastewater treatment facilities. Local government employment for waste water has remained stable over the past ten years.

Air pollution – There is little information available focused on air pollution control for Vermont businesses.

Soil and groundwater protection – There is little information available focused on soil and groundwater protection activities for Vermont businesses.

Hazardous waste management – Employment data describes waste management generally and includes solid waste management as a subset. Solid waste management is the largest portion of all waste management and has had near constant private sector employment over the past ten years.

Environmental Consulting – While not included as a specific sector in the authorization language, environmental consultants cover all of the listed topics. Between 2005 and 2015, the number of employees classified as environmental consultants has increased from 225 to 413 and their wages have more than tripled.

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Energy efficiency and conservation – The Public Service Department sponsored a research project to gauge the size and growth of the clean energy economy in Vermont. The results of that report include the changes in the employment levels for energy efficiency activities. See: http://publicservice.vermont.gov/sites/dps/files/documents/Renewable_Energy/CEDF/Reports/VCEIR%202016%20Final.pdf

See pages 10-15 of the report for employment growth figures. The largest example in Vermont is VEIC which has increased its revenues more than four-fold between 2008 and 2015.

An important part of energy efficiency activity is the weatherization of homes. The Vermont chapter of the Building Performance Professionals Association was formed in 2012. There are currently 29 members of this organization and many contractors provide similar services without being a part of VT-BPPA. While building weatherization took place in a limited fashion in 2006, the institutionalization of the field, supported in part by public incentive programs reflects growth of several fold in this ten-year time period.

Clean Energy – As with energy efficiency, Vermont's Clean Energy Industry report has reported the past three years of growth. Vermont has seen rapid growth in the design and installation of both wind and solar generation facilities. The Comprehensive Energy Plan notes that the installation of wind turbines has grown from 6 MW installed prior to 2006 (Searsburg) to 117 MW total installed capacity by the completion of 2015. Similarly, solar installations also started at close to zero in 2006 and 120 MW of solar was installed by the end of 2015.

Several businesses have started and grown to accomplish this level of activity. Starting from scratch, percentage growth is not a valuable statistic, rather, the Clean Energy Industry report provides a total number of employees for each generation type. For example, the report includes about 2,100 in the solar industry and more than 1,500 in the woody biomass sector for renewable fuels.

In addition to the rapid growth in wind and solar, Vermont also hosts businesses that provide wood heat equipment and fuel. According to the Census bureau, wood heat has increased as a proportion of home heating from 9.0 to 16.6 percent in the past ten years. Larger commercial and municipal installations of wood heat also represent significant growth in the state. As with wind and solar, the use of wood pellets as a fuel source has grown from close to zero in 2006 and represents much of the overall growth in wood heat since that time. There are currently two wood pellet production facilities employing approximately 50 people and none of these jobs existed in 2006.

Hydroelectric generation also fits the model of a clean energy source. Unlike the other sources of clean energy, hydroelectric projects are relatively steady as an economic activity in the state. There are very occasional small scale new hydroelectric projects and most of the activity is in the management and maintenance of existing hydroelectric dams and turbines. The Clean Energy Industry report includes more than 300 workers in the hydro sector.

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Appendix 4

Question 2. Whether and How to Include a Mechanism for Equity Investments
VEGI Program Frequently Asked Questions Regarding Acquisitions and Layoffs

Q. If a company that has been authorized to earn VEGI incentives is sold to, or acquired by, another entity, are the incentives automatically forfeited, terminated or recaptured?

A. No. There is no provision in statute requiring the forfeiture, termination, or recapture of VEGI incentives based on the ownership status of a company that was authorized to earn VEGI incentives. However, recognizing that reviewing authorized incentives following an acquisition would be prudent administrative procedure, VEPC implemented such a process even before the VEGI program started. Authorized companies are informed upon approval that the incentives do not automatically transfer to an acquiring entity following a transaction. If a company authorized for VEGI incentives is acquired during the authorization period (the period during which incentives are earned and paid out) they must notify VEPC of the acquisition and provide specific information, including the type of transaction, the status of the authorized entity, and the intention of the acquiring or resulting entity regarding the economic activity for which the incentives were approved. Most acquisitions have no impact on the authorized entity or the expected economic activity in Vermont. The VEPC Board reviews the information and either affirms the continuation of the incentives or takes appropriate action to terminate the incentives. Even if the incentives are affirmed and continued, the company must still meet and maintain annual performance requirements to continue to earn and/or be paid the remaining incentives.

Q. What if the acquiring company changes their plans and closes the operation or there is a layoff?

A. A change in ownership usually has no effect on the incentive. However, if the company fails to maintain base payroll or meet and maintain performance requirements during the earning period, regardless of ownership, the incentives for the year in which performance requirements are not met or maintained will be terminated (see 32 VSA §3337). If the layoff or closure occurs after the incentives have been earned, but before all the incentive installments are paid, the remaining installments can still be terminated under 32 VSA §3337. If required by the severity of the layoff, a recapture can occur under 32 VSA §3339. If the closure or layoff occurs after the final incentive installment payment has been made (usually four years after the final annual performance measures are met), there is no recapture.

Q. If a company lays off employees during the period incentives are to be earned, are incentives recaptured?

A. Probably not. Recapture is a statutorily required under certain circumstances (see below), but the VEGI program is purposefully designed to avoid recapture. Instead, a system of strict performance requirements is used. No incentives are paid to a company when they are approved. The authorization only approves a company to earn an annual incentive amount based on annual performance requirements. No portion of the incentive is earned by partially meeting performance requirements. They have to be fully met and only if and when they are, can the earned incentive begin to be paid out over five annual installments. Trailing installments are terminated if the base and performance requirements are not maintained.

Q. What are the VEGI performance requirements?

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A. The new qualifying payroll, new qualifying jobs, and new qualifying capital investments projected by the applicant in their Final VEGI Application set the performance requirements. Each year, the company must meet the new qualifying payroll and either the new qualifying headcount or new qualifying capital investment performance requirements. Additionally, the base payroll and headcount must be maintained. This is key to considering the new payroll and jobs incremental and therefore qualifying. Additionally, the performance requirements must be maintained to receive the trailing incentive installments.

Q. How is the base employment and payroll determined?

A. As mentioned above, an applicant's Final Application must project new qualifying jobs, payroll and, if applicable, capital investments. In addition to the projections in the application, the company must complete a detailed base employment workbook that lists every individual employee by name, last four digits of the social security number, position, date of employment, status (full-time, part-time, owner, etc.) and pay level. That data is used by VEPC to verify the base headcount and payroll the applicant entered in their application. As part of the Final Application due diligence, the Tax Department verifies the detailed workbook data against existing payroll withholding records. If all three – payroll records, application data, and workbook details – don't square up, the applicant must correct their application. Then, every year a claim is filed, an updated detailed base employment workbook is filed with their VEGI claim and examined by Tax to verify that the base employment and payroll were maintained, in addition to checking a similar workbook verifying the new qualifying jobs and payroll added each year.

Q. Under what circumstances can the VEGI incentives that have been paid out be recaptured?

A. If a company reduces base employment by 90%, all incentives paid are recaptured and any unearned incentives are terminated (32 VSA §3339(a)(1)B)). Also, a company can earn incentives by maintaining base payroll and headcount and meeting annual payroll and headcount performance requirements, but not meeting the total capital investment performance requirement. If this occurs, the total incentive is reduced by the same ratio that the capital investments fell short. If the trailing incentive installments are not sufficient to cover the incentive reduction, a recapture occurs (32 VSA §3339(b)).

Q. What if an incentive is earned and then there is a layoff?

A. If a layoff occurs during the period that incentives are being earned, the performance requirement process is followed. If the layoff impacts the company's ability to maintain base employment and payroll, meet the performance requirements for the year in which the layoff occurred, or impact the company's ability to maintain performance requirements, Tax will take action in accordance with statute (32 VSA §3337) to terminate the company's ability to earn incentives for that year, any subsequent year incentives, and/or any remaining incentive installments. If a layoff occurs after all incentives have been earned but before all incentive installments have been paid, the same review occurs and if the base or performance requirements are not maintained, remaining incentive installments are forfeited.

Q. Is it possible for a company to continue to earn and be paid incentives following a layoff?

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A. Yes. If a company has exceeded performance requirements while earning the incentives, a layoff may not impact the company's ability to meet and/or maintain those performance requirements. Using a simplified example: A company has a base payroll of $1,750,000 and 50 jobs. The company is required to maintain the base payroll and jobs and create $1 million in new qualifying payroll and create 30 qualifying jobs over three years to earn the incentive. The company maintains the base payroll and jobs and creates 40 new jobs and $1,350,000 in new payroll. A year later, the company loses a contract and lays off 5 employees and reduces payroll by $175,000. The base and performance measures have been maintained. No incentive termination or recapture would occur.

Q. Have any companies had incentives terminated or recaptured?

A. Yes. Through the end of calendar 2016, **41 companies** (of 106 authorized) have had incentives terminated and/or recaptured. Of these, 21 failed to meet performance measures within the statutory time period or failed to maintain performance requirements. Of the 21, ten earned and were paid some incentives for the years they did meet and maintain performance measures, and eleven were never paid incentives. Another six companies closed operations in Vermont, five of which had earned and been paid incentives which were all ordered to be recaptured, and one had not been paid any incentives. Finally, fourteen companies were terminated due to failure to file a VEGI claim, which can be indicative of the project not occurring or performance measures not being met. No incentives were earned or paid to these companies.

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Appendix 5

Question 4. Ensure Recipients of VEGI incentives are in Compliance with all Water Quality and Air Quality Laws and Regulations

ANR Proposal in Response to H.507
An Act Relating to Eligibility for Economic Development in Impaired Waters of the State
Provided to VEPC During Testimony Regarding Act 157 - September 22, 2016

An applicant for a state-funded grant must certify that the applicant, as well as any business in which the applicant has greater than 10% interest, is not a named party in any administrative order, consent decree or judicial order relating to water quality that has been issued by the State of Vermont or any of its agencies. This new certification requirement will be implemented in the next fiscal year by the State of Vermont, Agency of Administration.

The certification will be required for state-funded grant programs only. The certification will not apply to federally funded grants, federal funded contracts, or federally funded tax credits; nor will the certification apply to state or federal loan programs. Each agency will be solely responsible for determining which of its programs are state-funded grant programs.

If the applicant cannot make this certification, the applicant must explain the circumstances of the administrative order, consent decree or judicial order.

The State of Vermont may exercise its discretion regarding the grant award based on the circumstances surrounding the order. Factors to be considered include: compliance with the conditions of the order; the magnitude of the violation that forms the basis of the order; the applicant's level of involvement in the violation; and the environmental benefits of awarding the grant.

The applicant has an obligation to update the certification at any time prior to the award of the grant; and an obligation to inform the State of Vermont if it becomes a named party on a water-quality related administrative order, consent decree or judicial order during implementation of the grant.

If the applicant falsely certifies that is not a named party to any administrative order, consent decree or judicial order issued by the State of Vermont or its agencies, then the State of Vermont or its agencies may seek to recover the grant award at its discretion. The State of Vermont or its agencies may also seek to recover the grant award if the applicant becomes a named party on a water-quality related administrative order, consent decree or judicial order during the implementation of the grant. If the State of Vermont seeks to recover a grant award, the applicant will be liable for the amount of the grant award and costs. In these circumstances the State of Vermont may, at its discretion, deny any future grant awards for up to five years.

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Appendix 6

Question 4. Ensure Recipients of VEGI incentives are in Compliance with all Water Quality and Air Quality Laws and Regulations

VEPC Permitting Proposal Implementation

To implement a permit certification process similar to the "good standing" process proposed by ANR, the Council and the Tax Department would take the following steps:

A certification check-off will be added to the VEGI Authorization Document so that upon certification and acceptance of the Authorization, the company can self-certify that:

- If the company currently operates in Vermont, to the best of their knowledge, all operations of the company, whether involved in the VEGI application or not, are in compliance with all required state permits; and
- If the economic activity proposed in the VEGI application involves activity that requires permitting, the applicant has obtained or will obtain all state permits required to proceed with the project, and will comply with approved state permits obtained.
- A space will be included so that if the applicant cannot make this certification, the applicant must explain the circumstances.

A certification check-off will be added to the annual VEGI claim so that companies can self-certify that:

- To the best of their knowledge, all operations of the company, whether involved in the VEGI claim or not, are in compliance with all required state permits;
- If the economic activity proposed to earn VEGI incentives involves activity that requires permitting, the applicant has been issued all state permits required to proceed with the project and is in compliance with the approved state permits; and
- The claimant is not a named party in any administrative order, consent decree or judicial order relating to water quality that has been issued by the State of Vermont or any of its agencies.
- A space will be included so that if the applicant cannot make this certification, the applicant must explain the circumstances of the administrative order, consent decree or judicial order.

The Council and Tax Department support this change to the program only with the following understanding:

- Neither the Council nor the Tax Department are required to investigate or research the status of permitting by applicants; the self-certification stands on its own.
- Contact information for reachable and responsive staff at ANR will be made available for applicants who may not be versed in Vermont permitting requirements.
- The certification applies only to state permits, laws, and regulations and federal permits, laws, and regulations for which the State is delegated authority.
- At the time of certification and acceptance of the VEGI Authorization Document, the Council may exercise its discretion regarding authorizing incentives if the company cannot certify current compliance or an understanding of permit requirements.
- At the time of a claim, if the claimant cannot certify compliance or is named party in any administrative order, consent decree or judicial order relating to water quality, and is due a VEGI installment, the Tax Department shall refer the issue to the Council. The Council may exercise its discretion regarding approval of the claim based on the circumstances surrounding

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the order or decree. Factors to be considered include: compliance with the conditions of the order; the magnitude of the violation that forms the basis of the order; the claimant's level of involvement in the violation; and the environmental benefits of approving the claim.

- VEGI applicants and claimants will have an obligation to update the certification at any time, but no later than when each annual VEGI claim is filed, and an obligation to inform the Council if it becomes a named party on a water-quality related administrative order, consent decree or judicial order during the VEGI utilization period. Following the VEGI utilization period, all certification and notification obligations under the VEGI program cease.
- If the applicant or claimant falsely certifies that it is not a named party to any administrative order, consent decree or judicial order issued by the State of Vermont or its agencies, then the Council may terminate any remaining incentives and seek, through 32 VSA §3339, recapture of any incentive previously paid, by the Tax Department.

The Council and Tax Department can and would implement this change administratively, without legislation. However, if the General Assembly believes a provision is required, the Council suggests that 32 VSA §3332(b)(3) be amended as follows:

> "(3) If the business currently operates in Vermont, the business is in compliance with state permitting laws and regulations and any ~~The~~ proposed economic activity will conform ~~conforms~~ to applicable town and regional plans and will comply with state permitting laws and regulations."

and that a subdivision (C) be added to 32 VSA §3339(a) Recapture:

> "(C) the Department discovers, or receives notification from the Council, that the business, during the application or claim process falsely certified that it is not a named party to any administrative order, consent decree or judicial order issued by the State of Vermont or its agencies."

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Appendix 7

Question 5. Ensure Incentives Will Benefit the Creation and Growth of Small Businesses

14 Year Growth Statistics for Vermont Business Sectors

Sector	14 Year Growth (#)	14 Year Growth (Annual %)	Projected Growth[1] (#)	Projected Growth (%)	Location Quotient[2]
Crop production	141	1.7%	224	2.9%	0.7
Animal production	724	3.9%	456	2.4%	3.3
Forestry and Logging	6	0.2%	1	0.1%	1.6
Ag. and Forestry Support	-6	-0.2%	0	0%	.4
Mining (exc. Oil and Gas)	-352	-3.2%	2	0%	
Utilities	35	0.1%	-151	-0.9%	1.3
Construction of Buildings	-280	-0.5%	611	1.5%	1.3
Heavy and Civil Eng. Const.	-461	-1.8%	93	0.6%	.8
Specialty Trade Contractors	686	0.5%	1,157	1.2%	1.1
Food Manufacturing	1,173	1.8%	1,172	2.0%	1.7
Beverage and Tobacco Prod.	386	7.0%	628	7.2%	1.5
Textile Mills	-113	-3.6%	-81	-6.5%	.6
Textile Product Mills	-200	-8.2%	6	0.7%	.3
Apparel Manuf.	-421	-6.3%	66	2.1%	1.1
Wood product Manuf.	-1,206	-3.6%	-135	-1.4%	2.0
Paper Manuf.	-983	-5.9%	-30	-0.4%	.9
Printing and related support	-1,325	-5.7%	-157	-1.6%	1.1
Chemical Manufacturing	274	1.7%	291	2.0%	.8
Plastics and Rubber Products	-648	-3.0%	-84	-0.8%	.8
Nonmetallic mineral prods.	-555	-2.1%	-43	-0.3%	1.9
Fabricated metal Products	-410	-1.2%	12	0.1%	.7
Machinery Manuf.	-1,535	-3.0%	16	0.1%	1.2
Computer and Elect. Product	-5,698	-5.0%	-1,057	-2.1%	2.3
Elect. Equip and Appliances	-115	-.6%	-120	-1.0%	1.4
Transp. Equip. Manufacturing	-1,353	-3.7%	-75	-0.4%	.6
Furniture and Related Product	-1,807	-5.5%	-127	-0.9%	1.7
Misc. Manuf.	-66	-0.3%	8	0.1%	1.2
Air Transportation	-124	-5.6%	-9	-0.9%	.1
Rail Transportation	14	0.4%	6	0.2%	
Truck Transportation	-505	-1.4%	-269	-1.3%	.7
Transit and Ground Psgr.	81	0.4%	-21	-0.2%	1.3
Couriers and Messengers	-129	-0.8%	103	0.9%	.9
Warehousing and Storage	228	1.5%	53	0.4%	.7
Publish. Indstries (Exc. Internet)	-700	-2.3%	-46	-0.3%	1.1
Motion Pict and Sound Record.	-219	-3.7%	2	0.1%	.4
Broadcasting (Exc. Internet)	-106	-1.0%	-25	-0.5%	1.2

[1] Projected Growth is for the 2014-2024 period.

[2] Location Quotient is the proportion of Vermont employment in this sector compared with the proportion of employment in the United States.

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Sector	14 Year Growth (#)	14 Year Growth (Annual %)	Projected Growth[1] (#)	Projected Growth (%)	Location Quotient[2]
Telecomm.	-766	-3.3%	-272	-2.4%	.7
Data Processing and other info.	-302	-3.0%	67	1.3%	.65
Credit Intermediation	-417	-0.7%	-343	-0.8%	.8
Securts, Commod. & other invest.	-14	-0.1%	60	0.8%	.4
Insurance	-362	-0.1%	116	0.3%	.8
Real Estate	468	1.7%	185	0.8%	.7
Rental and Leasing	-814	-3.5%	34	0.4%	
Prof'l. Sci. and Tech Services	1,636	0.9%	1,420	1.0%	.8
Admin and Support Serv.	2,259	1.9%	651	0.7%	.6
Waste Mgmt & Remediation	189	1.6%	52	0.5%	1.2
Education (inc. public schools)	3,992	0.8%	-80	0%	1.7
Ambulatory health care	2,722	1.3%	1,739	1.0%	1.1
Hospitals	3,425	2.2%	801	0.6%	1.3
Nursing and Res'l Care	1,232	1.3%	491	0.6%	1.1
Social Assistance	6,957	6.0%	1,148	0.9%	1.7
Performing Arts and Spec Sports	266	2.8%	38	0.4%	.8
Museums, Hist. Sites and Parks	132	2.2%	55	1.1%	1.5
Amusement and Recreation	359	1.0%	31	0.1%	.9
Accommodation	-226	-0.1%	816	0.7%	2.9
Food Services and Drinking	1,633	0.6%	584	0.3%	.8
Repair and Maintenance	-279	-0.7%	162	0.6%	1.0
Personal and Laundry Serv.	-139	-0.5%	74	0.4%	.7
Private Households	-370	-2.7%	-40	-0.5%	1.2

[1] Projected Growth is for the 2014-2024 period.

[2] Location Quotient is the proportion of Vermont employment in this sector compared with the proportion of employment in the United States.

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Appendix 8

Question 5. Should the Program be more Targeted to Businesses that Historically Have Experienced, and are Forecast to Experience, the Most Growth in Vermont

Inc 5000 Vermont High Growth Companies
Prepared by: Kenneth Jones, ACCD

Inc. 5000 lists the 5,000 fastest growing companies in the United States by sales volume. The following describes the Vermont-based firms using sales for the prior three years as the growth measure. The language describing each are extracted from their websites.

GroSolar (2010) – Global Resource Options, Inc. (dba: groSolar) is a privately owned company founded by engineering husband and wife team Jeff and Dori Wolfe of Vermont in 1998. Beginning with residential solar projects, groSolar made a mark through sound engineering abilities, timely construction, and responsive customer service. In 2010 (the year included on the INC 5000 list), groSolar sold its residential division to focus on commercial and utility-scale projects. Since then, groSolar has cultivated a portfolio of commercial and utility-scale solar projects from 1 – 30 megawatts in size.

Dealer.com (2010, 2011, 2012, 2013) - By bringing a full suite of digital marketing tools to OEMs and dealers, coupled with direct consultation to make those tools work harder for customers, we helped to change the digital face of the industry. But we didn't just focus on the world outside – we looked inward, to see how we could create a work environment that was unlike any other – where the desire to be creative, innovative, healthy, expressive and fun were nurtured and appreciated at a whole new level. It was the collective fostering of these missions that made Dealer.com what it is today: an 800-person strong company with bi-coastal offices serving 40 percent of the auto industry's marketing needs; all made possible through a culture, rich in openness, wellness, development, community engagement, and individuality.

CPA Site Solutions (2010, 2011, 2012, 2012) – Started in 1999 provides accounting firms web support. As a team they possess the perfect combination of entrepreneurial passion, financial expertise and management excellence. In 1999 they formed CPA Site Solutions with the mission of helping accountants take advantage of the growing opportunities on the Internet. Since then, CPA Site Solutions has helped thousands of accounting firms reach their potential through our innovative web-based products.

TPW Management (2010) - TPW is a family owned company that provides professional community and property management, vacation rentals, and real estate sales services. TPW's team of accredited managers and licensed realtors have a comprehensive understanding of the maintenance, management, and overall needs of all types of residential property.

Casey Research (2010, 2012) - For over a quarter of a century, legendary investor and best-selling author Doug Casey and his team at Casey Research have been helping self-directed investors to earn superior returns through innovative investment research designed to take advantage of market dislocations.

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Data Innovations (2010) - The Company's flagship products, Instrument Manager (IM), JResultNet and Laboratory Production Manager (LPM), represent the most complete offerings in the market for pre-analytical, analytical, and post-analytical sample processing and non-analytical tasks such as equipment maintenance. Almost 1,000 different instruments, automation systems, and information systems are supported.

Logic Supply (2010, 2011, 2013) - From the beginning, we've recognized the power of engineering embedded solutions that leverage the speed and versatility of modular, off-the-shelf components for inter-process communication (IPC). Our strength lies in designing products with customization in mind, but without the lead times and exorbitant costs of from scratch development. By combining our technical expertise, a proprietary needs analysis methodology and our extensive knowledge of the IPC marketplace, we're able to offer our clients custom hardware in a fraction of the time, and at a significant cost savings compared to traditional, ground-up development methods.

Fuse (2010, 2011, 2012) - Fuse provides consumer insights for brands and organizations that need fast and cost-effective teen and young adult research. Fuse offers a range of options including its proprietary digital panel, custom surveys, traditional focus groups, and custom youth culture seminars.

Cobble Hill Trailer Supplies (2010) - We offer solutions to all of your Transportation needs from Trailer Rental and Lease to Parts, Sales and Full Service Including Road Service. We sell New and Used trailers from tag along to 100 ton. From Dry Van to Refrigerated.

iTech US (2010, 2014) – iTech Simplifies IT by offering end-to-end solutions for all of your IT challenges. We provide IT consulting, IT staffing, custom software services, data warehouse and mobile resources to some of the largest and most well-known corporations in North America. Our focus and priority is our talent and our process! We hire the best and optimize that with processes to deliver cost-effective solutions.

Chroma Technology (2010, 2011, 2012) - Chroma Technology Corp. is a manufacturer of interference filters for the ultra-violet, visible and near-infrared portions of the spectrum, including band pass, multiple band pass, and long and short pass filters, as well as beam splitters, dichroic mirrors and laser rejection filters. We specialize in precision spectral control, including extra high signal-to-noise ratio filters and those with rapid cut-on and cut-off profiles. The manufacturing process involves precisely depositing, in a vacuum, extremely thin layers of two or more materials on a glass or similarly transparent substrate. Chroma was organized by several talented individuals who wanted to create a working environment entirely different from the typical corporate structure. Founded in Brattleboro, Vermont, in May 1991, Chroma quickly established itself as a leader in filter designs.

Global Sourcing Group (2011) - Building on the experience and knowledge gained in their pioneering telecom work, Andy and Amine established GSG in 2003. Today, our team is solving the problems that emerging telecommunications technologies bring. That means enabling the seamless management of the "mobile wave": devices that are powerful, portable, and paradigm changing. It also means managing enormous, fixed line networks with a mix of legacy and IP technology and transitioning to support big data.

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King Arthur Flour (2011)- King Arthur Flour is America's oldest flour company, founded in Boston in 1790 to provide pure, high-quality flour for residents of the newly formed United States. More than 220 years later, we're the nation's premier baking resource, offering everything from top-quality baking products to inspiring educational programs—all backed by the passion and commitment of our dedicated employee-owners.

Instrumart (2011, 2012, 2014) - Instrumart is a leading supplier of Test & Measurement instruments. Instrumart is the operating name for Total Temperature Instrumentation, Inc. ("TTI"). (Wholesale marketing)

MBA Health Group (2011, 2012, 2013) - MBA HealthGroup provides enterprise strategic planning, electronic health record consulting, practice management consulting, and revenue cycle management services to physicians, hospitals, and health systems across the nation.

Resource Systems Group (2011) – (Marketing) We specialize in designing, implementing, and applying sophisticated data-driven models with in-depth analytics to help our clients understand why people and systems do what they do. We understand that advanced scientific techniques are valueless if not placed in an industry context and then tailored to the decisions at hand and effectively communicated.

All Earth Renewables (2012) – Design and manufacture of solar tracker, photovoltaic systems.

Against the Grain Gourmet (2012) - Against The Grain is committed to baking gluten free products using the natural properties of real foods. We combine innovative, artisan baking techniques with naturally gluten free ingredients to stabilize, bind, and leaven our breads.

Vertek (2012) - Vertek CPT is the world leader in the development and manufacture of advanced, integrated in-situ soil testing systems including rigs, accessories and computers. A division of Applied Research Associates, Inc. (ARA), an elite engineering development firm, Vertek CPT began as a field testing company, solving some of the first and most demanding CPT applications.

My Web Grocer (2013) - Since 1999, we have worked with the nation's leading grocery retailers and consumer packaged goods brands to build connections, drive loyalty, increase basket size and attract new customers. MWG is the leading provider of digital grocery services in the country.

Marathon health (2015) - Based in Vermont, we operate clinics for employer organizations spread across nearly 40 states and within several industry verticals--manufacturing, professional services, finance, school districts, city and county government, and hospitals.

SAC (2015) - SAC Incorporated is a provider of material, logistics, and engineering services in the water and power infrastructure markets.

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Summary

There is no obvious theme that runs through the list of Vermont's fastest growing companies. In many cases, an entrepreneur identified a market void or a technology application that they were able to capitalize upon. The Vermont Comprehensive Economic Development Strategy identifies four factors that are important in the growth of the Vermont economy.

- Workforce
- Capital Investment
- Public Infrastructure
- Networking and the Business Environment

It is the combination of these four factors with entrepreneurial wisdom, insights, savvy and persistence that provide a foundation for rapidly growing companies.

Being able to predict which company, market or sector is about to grow rapidly is the profession of many in the investment community. The State of Vermont has no inside track on the necessary information to provide greater insight on future high growth opportunities for the state.

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Appendix 9

Question 6. Ensure Incentives will Benefit the Creation and Growth of Small Businesses

SBA Vermont Small Business Profile

SBA Office of Advocacy
www.sba.gov/advocacy

Small Business Profile

Advocacy: the voice of small business in government

Vermont

Small businesses significantly impact Vermont's economy. They represent 96.3 percent of all employers and employ 59.7 percent of the private-sector labor force. Small businesses are crucial to the fiscal condition of the state and numbered 77,853 in 2010.

This profile uses the latest available data to illustrate the status of Vermont's small businesses. (Note that a small business is defined as one with fewer than 500 employees.)

- Vermont's economy was strong in 2011, with real gross state product increasing 2.5 percent and private-sector employment increasing 1.4 percent (Bureau of Economic Analysis, Bureau of Labor Statistics).
- Small businesses employed 157,720 workers in 2010 (Table 1) with most of the employment coming from firms with 20-499 employees.
- The employment situation from 2007-2010 was strong, yet small businesses in Vermont had a net job loss (Table 2). The unemployment rate in 2010-2011decreased by 0.8 percent.
- Most of Vermont's small businesses are very small as 76.3 percent of all businesses have no employees, and most employers have fewer than 20 employees.
- In 2011, the number of opening establishments was lower than closing establishments, and the net employment change from this turnover was negative (Table 3).
- Self-employment in Vermont improved over the last decade. Minority self-employment fared the best compared with other demographic groups.

For Further Information

- Data on all states and territories are available at www.sba.gov/advocacy/848.
- For other small business data and analysis, visit www.sba.gov/advocacy/847, call (202) 205-6533, or email advocacy@sba.gov.
- Visit www.sba.gov/updates to subscribe to Advocacy's Listservs.

Vermont Small Business Facts

	2010*	2009	2000
Number of Businesses			
Small employers (<500 employees)	17,908	18,020	18,518
Large employers (500+ employees)	688	675	594
Nonemployers	59,945	60,250	51,220
	Level in 2007* (000)		
	Firms	**Employment**	**Receipts($M)**
Business Owner Demographics			
Male-owned	39	87	15,996
Woman-owned	20	13	1,329
Equally male/female-owned	16	27	2,738
African American-owned	n.a.	n.a.	n.a.
Asian-owned	1	2	252
Hispanic-owned	0	0	173
Native American/Alaskan-owned	0	n.a.	n.a.
Hawaiian/Pacific Islander-owned	-	-	-
Veteran-owned	11	20	3,728
Publicly held, unclassified	3	131	24,141
	Level in 2011*	**% Change from 2010**	**% Change from 2000**
Workforce (Thousands)			
Private-sector employment	246	1.4	-1.2
Government employment	53	-2.7	7.5
Self-employed (incorp. & uninc.)	49	-0.7	3.1
Female self-employment	19	12.4	7.4
Male self-employment	31	-7.3	0.6
Minority self-employment	2	-4.0	15.4
Veteran self-employment	5	-14.0	-20.8
Unemployment Rate (Percent)	5.6	-0.8†	2.9†
Business Turnover			
Quarterly establishment openings	4,604	7.1	20.4
Quarterly establishment closings	4,686	-2.4	33.3
Business bankruptcies	46	-33.3	-35.2
	2011*	**2010**	**2000**
Income and Finance			
Proprietors' income ($billion)	2.1	2.0	1.8
Number of bank branches	266	266	267
No. of bus. loans under $100,000‡	5,846	9,462	5,834
Total value of business loans under $100,000 ($million)‡	107	150	89

Source: U.S. Dept. of Commerce, Census Bureau, Bureau of Economic Analysis; U.S. Dept. of Labor, Bureau of Labor Statistics; Admin. Office of the U.S. Courts; Federal Deposit Insurance Corporation; and U.S. Small Business Admin., Office of Advocacy.
* Latest available data. †Percentage point change. ‡Data are for CRA loans.

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Table 1: Firms and Employment in Vermont by Industry and Firm Size, 2010 (Nonfarm, Thousands)

Industry	Nonemployer Firms	Employer Firms: All Firms Total	Employer Firms: 1-19 Employees	Employer Firms: 1-499 Employees	Employment: All Firms Total	Employment: 1-19 Employees	Employment: 1-499 Employees
Total	59.9	18.6	16.1	17.9	264.1	64.2	157.7
Forestry, etc. and agriculture support	2.1	0.1	0.1	0.1	0.4	0.3	0.4
Mining	0.1	0.0	0.0	0.0	D	0.1	D
Utilities	0.1	0.0	0.0	0.0	2.1	0.0	0.7
Construction	10.0	2.8	2.7	2.8	12.8	7.6	11.9
Manufacturing	1.8	0.9	0.7	0.9	30.8	3.2	16.2
Wholesale trade	0.9	0.8	0.5	0.7	10.6	2.2	8.2
Retail trade	4.4	2.7	2.3	2.5	38.7	11.6	23.4
Transportation and warehousing	1.2	0.4	0.4	0.4	5.8	1.1	3.6
Information	0.9	0.4	0.3	0.3	5.4	1.2	3.5
Finance and insurance	1.0	0.5	0.4	0.4	12.3	1.4	5.3
Real estate and rental and leasing	5.3	0.6	0.6	0.6	2.9	1.7	2.5
Professional, scientific, and technical svcs.	8.7	2.1	1.9	2.0	21.1	6.4	10.6
Management of companies and enterprises	0.0	0.1	0.0	0.0	2.7	0.0	1.1
Admin., support, waste mgt., remed. svcs.	4.4	1.0	0.9	1.0	7.5	2.6	5.0
Educational services	2.0	0.3	0.3	0.3	14.2	1.2	7.8
Health care and social assistance	5.2	1.7	1.4	1.7	50.7	7.2	24.8
Arts, entertainment, and recreation	4.0	0.4	0.4	0.4	6.9	1.4	3.9
Accommodation and food services	1.1	1.7	1.4	1.7	29.5	8.1	19.6
Other services (except public admin.)	6.9	2.0	1.9	1.9	9.1	6.8	8.8
Unclassified	0.0	0.0	0.0	0.0	0.1	0.1	0.1

Source: U.S. Dept. of Commerce, Bureau of the Census, Statistics of U.S. Businesses. (See www.sba.gov/advocacy/849/12162 for data from other years, and for starts, closures, job creation and destruction by industry and by size category.)

Table 2: Net Job Change by Firm Size, 2007–2010 (Nonfarm)

	Total Net New Jobs	Employment Size of Firm: 1-4	5-9	10-19	20-99	100-499	<500	500+
2010	983	2,068	87	98	-795	-1,193	265	718
2009	-8,094	702	-1,523	-1,406	-3,413	-1,661	-7,301	-793
2008	3,123	1,355	-791	-597	-543	294	-282	3,405
2007	8,889	1,975	-454	71	-891	-332	369	8,520

Note: Data source differs from previous publications.
Source: U.S. Dept. of Commerce, Bureau of the Census, Business Dynamic Statistics. (For more detailed data see www.sba.gov/advocacy/849/12162.)

Table 3: Establishment and Employment Turnover by Quarter, 2011 (Nonfarm, Thousands)

	Establishments: Quarter 1	Quarter 2	Quarter 3	Quarter 4	Employment: Quarter 1	Quarter 2	Quarter 3	Quarter 4
Openings	1.1	1.1	1.2	1.2	2.7	3.2	3.8	4.4
Expansions	4.0	4.4	4.1	4.4	13.2	15.4	14.7	15.8
Contractions	4.3	4.1	4.2	4.1	14.2	14.2	13.8	13.3
Closings	1.1	1.3	1.3	1.1	2.9	4.1	4.9	3.1

Source: U.S. Dept. of Labor, Bureau of Labor Statistics, Business Employment Dynamics. (For more detailed data see www.bls.gov/bdm/.)
Note: These figures contain all firm sizes; Census data from 2010 show that 87 percent of establishment births and deaths were in firms with fewer than 500 employees.

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Appendix 10

Question 6. Ensure Incentives will Benefit the Creation and Growth of Small Businesses

Firm Size Data

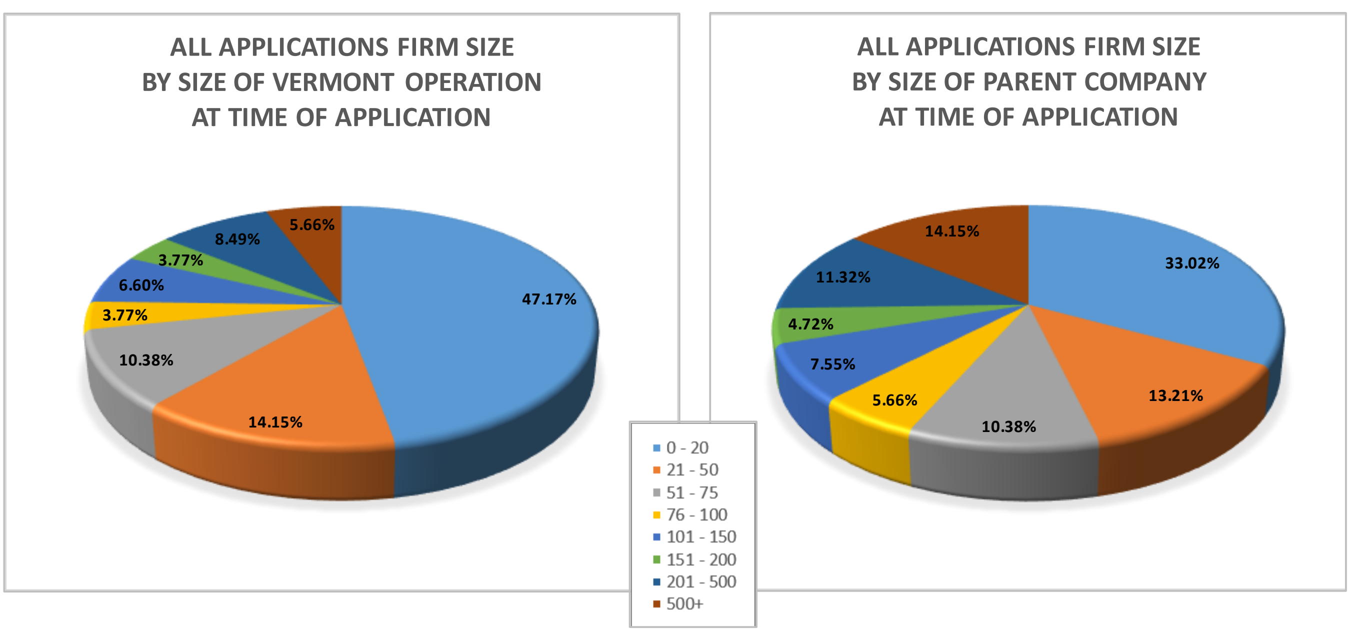
SIZE OF VEGI COMPANIES, BY EMPLOYMENT
(Includes active, terminated, and rescinded application)

BY SIZE OF VERMONT OPERATION AT TIME OF APPLICATION

	ALL APPLICATIONS		ACTIVE APPLICATIONS	
Size Category	Number	% of Total	Number	% of Total
0 - 20	50	47%	13	27%
21 - 50	15	14%	7	15%
51 - 75	11	10%	6	13%
76 - 100	4	4%	3	6%
Subtotal	**80**	**75%**	**29**	**60%**
101 - 150	7	7%	4	8%
151 - 200	4	4%	4	8%
201 - 500	9	8%	6	13%
500+	6	6%	5	10%
Total	**106**	**100%**	**48**	**100%**

BY SIZE OF PARENT COMPANY AT TIME OF APPLICATION

	ALL APPLICATIONS		ACTIVE APPLICATIONS	
Size Category	Number	% of Total	Number	% of Total
0 - 20	35	33%	9	19%
21 - 50	14	13%	4	8%
51 - 75	11	10%	6	13%
76 - 100	6	6%	3	6%
Subtotal	**66**	**62%**	**22**	**46%**
101 - 150	8	8%	5	10%
151 - 200	5	5%	4	8%
201 - 500	12	11%	7	15%
500+	15	14%	10	21%
Total	**106**	**100%**	**48**	**100%**



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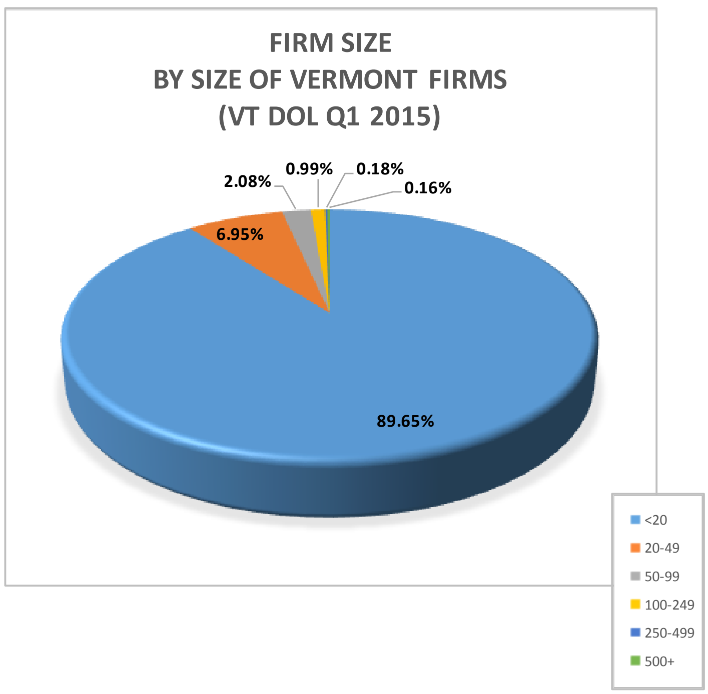
SIZE OF VERMONT FIRMS						
1st Quarter 2015						
					Wages	
Size	# Firms	% of total	Employees	% of total	in millions	% of total
<20	20,596	89.6	84,274	33.7	$804	30.5
20-49	1,596	6.9	47,083	18.8	$436	16.6
50-99	477	2.1	32,708	13.1	$320	12.1
100-249	227	1.0	33,123	13.2	$361	13.7
250-499	42	0.2	14,137	5.7	$245	9.3
500+	37	0.2	38,671	15.5	$468	17.8
Source: QCEW Vt Dept of Labor						



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Appendix 11

Question 7. Can Applicant and Program Data Reporting and Transparency be Accomplished without Damage to Applicant Businesses

Vermont Statute Impacting
Confidentiality of VEGI Program Materials and Information

32 VSA §3341
"Information and materials submitted by a business concerning its income taxes and other confidential financial information shall not be subject to public disclosure under the State's public records law in 1 V.S.A. chapter 5, but shall be available to the Joint Fiscal Office or its agent upon authorization of the Joint Fiscal Committee or a standing committee of the General Assembly, and shall also be available to the auditor of accounts in connection with the performance of duties under section 163 of this title; provided, however, that the Joint Fiscal Office or its agent, and the Auditor of Accounts, shall not disclose, directly or indirectly, to any person any proprietary business information or any information which would identify a business except in accordance with a judicial order or as otherwise specifically provided by law. Nothing in this subsection shall be construed to prohibit the publication of statistical information, rulings, determinations, reports, opinions, policies, or other information so long as the data are disclosed in a form that cannot identify or be associated with a particular business."

1 V.S.A. § 317
"(c) The following public records are exempt from public inspection and copying:

***

(4) Records which, if made public pursuant to this subchapter, would cause the custodian to violate any statutory or common law privilege other than the common law deliberative process privilege as it applies to the General Assembly and the Executive Branch agencies of the State of Vermont.

* * *

(6) A tax return and related documents, correspondence, and certain types of substantiating forms which include the same type of information as in the tax return itself filed with or maintained by the Vermont Department of Taxes or submitted by a person to any public agency in connection with agency business.

* * *

(9) Trade secrets, meaning confidential business records or information, including any formulae, plan, pattern, process, tool, mechanism, compound, procedure, production data, or compilation of information which is not patented, which a commercial concern makes efforts that are reasonable under the circumstances to keep secret, and which gives its user or owner an opportunity to obtain business advantage over competitors who do not know it or use it, except that the disclosures required by 18 V.S.A. § 4632 are not exempt under this subdivision."

Appendix 12

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Question 8. Standard Type, Quality, and Value of Employee Benefits that must be Offered in Order for a New Job to Count as a "Qualifying Job"

Benefits Data

VEGI COMPANIES: EMPLOYEE BENEFITS PROFILE
(Using sample of 58 companies that are active or received some incentives)

Benefits as percentage of compensation:

# Offered	58	
Percent	100%	of sample
Average	24%	of compensation is value of benefits
Median	23%	of compensation is value of benefits

Range	#	%
0-25%	39	67%
26-49%	18	31%
50-75%	1	2%
76-100%	0	0%

<u>The following represent benefits premium or value as paid by the employer:</u>

Health Care Premium:

# Offered	57	
Percent	98%	of sample
Average	76%	of premium paid by employer
Median	80%	of premium paid by employer

Range	#	%
0-25%	0	0%
26-49%	1	2%
50-75%	24	42%
76-100%	32	56%

Dental Care Premium:

# Offered	45	
Percent	78%	of sample
Average	65%	of premium paid by employer
Median	70%	of premium paid by employer

Range	#	%
0-25%	6	13%
26-49%	1	2%
50-75%	18	40%
76-100%	20	45%

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Vision Care Premium:

# Offered	33	
Percent	57%	of sample
Average	62%	of premium paid by employer
Median	80%	of premium paid by employer

Range	#	%
0-25%	9	27%
26-49%	0	0%
50-75%	7	21%
76-100%	17	52%

Life Insurance Premium

# Offered	40	
Percent	69%	of sample
Average	92%	of premium paid by employer
Median	100%	of premium paid by employer

Range	#	%
0-25%	3	8%
26-49%	0	0%
50-75%	1	3%
76-100%	36	89%

Short Term Disability Premium

# Offered	38	
Percent	66%	of sample
Average	86%	of premium paid by employer
Median	100%	of premium paid by employer

Range	#	%
0-25%	5	13%
26-49%	0	0%
50-75%	1	3%
76-100%	32	84%

Long term Disability Premium

# Offered	32	
Percent	55%	of sample
Average	84%	of premium paid by employer
Median	100%	of premium paid by employer

Range	#	%
0-25%	5	16%
26-49%	0	0%
50-75%	0	0%
76-100%	27	84%

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Accidental Death and Dismemberment Premium

# Offered	12	
Percent	21%	of sample
Average	100%	of premium paid by employer
Median	100%	of premium paid by employer

Range	#	%
0-25%	0	0%
26-49%	0	0%
50-75%	0	0%
76-100%	12	100%

Retirement Plan Contribution

# Offered	41	
Percent	71%	of sample
Average	41%	of premium paid by employer
Median	6%	of premium paid by employer

Range	#	%
0-25%	21	51%
26-49%	1	2%
50-75%	6	15%
76-100%	13	32%

Other Benefits Offered:

Tuition Assistance
Bonuses
Public Transportation Cost Reimbursement
Health and Wellness (Gym, ski. Etc)
Clothing allowance
Free or Discounted Product
Professional Association/Organization Fees

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Appendix 13

Question 8. Standard Type, Quality, and Value of Employee Benefits that must be Offered in Order for a New Job to Count as a "Qualifying Job"

Employee Benefit Options

The following options were discussed and debated during the report process, but the Council concluded that they do not meet the following guiding considerations for this question:

- Keep it simple. The default should be "do no harm." Given the complexity of the program already imposed by statutory requirements, the option selected should make the requirement, and thereby the program, easier to navigate for the applicant and no more difficult for the Council and Tax Department to administer. The Council is not advocating a diminution of the quality of jobs, just not an increase to the program's administrative and requirement burdens.
- Provide the Council with the flexibility needed to consider those situations and circumstances that do not conform perfectly with the statutory requirements, where the Council finds that approval of an incentive is in the State's best interest.

Options Considered:

Require Benefit Percentage: Replace the list of benefits - or supplement it - with a required percentage above wages or salary. The percentage requirement would need to be different for wages versus salaries and would need to recognize that the jobs for which an incentive is being offered are entry-level. The problem with this option is that it does not solve the issue of the quality of the benefits offered.

Require Certain Benefits Value: Replace the list of benefits with a shorter list of the most important benefits and add a required dollar value level for those benefits, recognizing that the jobs for which an incentive is being offered are entry-level.

Compensation Value: Change the VEGI wage threshold to a compensation threshold, allowing the wage/salary and the value of the benefits of the jobs to be counted toward the threshold.

The latter two options add substantial burden to the applicant and the program administrators. Applicants would have to calculate a value for the benefits offered, which is difficult because at the point of application the company does not know the mix of single vs. family plans or which level of coverage an employee will select. The provision could be written so that the compensation level that must be met is after one year of employment or at the time the VEGI claim is filed, on which the new employee is added. In addition to the burden added for the applicant, VEPC staff would be required to verify the calculation made by the applicant, and, unless verification at the time of the claim continues to be by self-certification by the claimant, the Tax Department would have the added burden of calculating the total compensation level of each new employee or a sampling of new employees. This would add substantial difficulty and time to the application and claim processes.

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Appendix 14

Statutory Requirement
Act 157 (H.868; 2016)

Sec. H.13. Vermont Employment Growth Incentive; Policy Review

(a) The Vermont Economic Progress Council shall review the following policy questions relating to the Vermont Employment Growth Incentive Program:
   (1) whether the enhanced incentives available under the program are appropriate and necessary, including:
      (A) an analysis of the growth in the environmental technology sector in Vermont as defined in the enhanced incentive for environmental technology business and whether growth in this sector obviates the need for the current enhancement; and
      (B) whether the State should forgo additional net fiscal benefit under the enhancements and whether the policy objectives of the enhancements are met;
   (2) whether and how to include a mechanism in the Program for equity investments in incentive recipients;
   (3) whether and under what circumstances the Department of Taxes should have, and should exercise, the authority to recapture the value of incentives paid to a business that is subsequently sold or relocated out of the State, or that eliminates qualifying jobs after receiving an incentive;
   (4) how to most effectively ensure, through the application and award process, that recipients of VEGI incentives are in compliance with all federal and State water quality and air quality laws and regulations;
   (5) the size, industry, and profile of the businesses that historically have experienced, and are forecast to experience, the most growth in Vermont, and whether the Program should be more targeted to these businesses;
   (6) changes to the Program to ensure incentives will benefit the creation and growth of more small businesses;
   (7) whether additional applicant and program data reporting and transparency could be accomplished without damage to applicant businesses; and
   (8) quantifiable standards for the type, quality, and value of employee benefits that an applicant must offer in order for a new job to count as a "qualifying job" for purposes of the Vermont Employment Growth Incentive Program.

(b) The Council shall have the authority to designate one or more policy study subcommittees to perform its work pursuant to this section, and shall collaborate with, and have the authority to request data, technical support, and other necessary assistance from, the Agency of Commerce and Community Development and the Departments of Labor and of Taxes.

(c) On or before January 15, 2017, the Council shall report its findings, conclusions, recommendations, and supporting data for legislative action to the House Committees on Commerce and Economic Development, on Ways and Means, and on Appropriations, and to the Senate Committees on Economic Development, Housing and General Affairs, on Finance, and on Appropriations.

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Invitation List

In addition to an open invitation posted on the Council's website and issued to the sixty individuals and organizations that receive the VEPC Monthly Meeting Notice, including all Vermont regional planning commissions and regional development corporations, plus a request to all contributors to suggest and invite other contributors, the Council sent invitations to contribute directly to the following individuals and organizations:

Cairn	Cross	Fresh Tracks
Susan	Davis	Vt House of Representatives
Bill	Driscoll	Associated Indistries of Vt
Rebecca	Ellis	DEC, VT ANR
Steve	Gibbs	Keurig Green Mountain
Douglas	Hoffer	Vt Auditor of Accounts
Don	Jameson	Vt Employee Owenrship Center
Ellen	Kahler	Vt Ssustainable Jobs Fund
Kirby	Keeton	Vt Department of Taxes
John	Kessler	VT ACCD
Chris	Lyon	Seventh Generation
Mark	MacDonald	Vermont Senate
James	Matas	Precyse Solutions, LLC
Ken	Merritt	Merritt & Merritt
Jill	Michaels	Vt Environmental Consortium
Tom	Moody	Downs, Rachlin, Martin, PLLC
Candace	Morgan	Vt Department of Taxes
Peter	Murray	Vt Environmental Consortium
Christine	Oliver	NFP Corporate Services, Inc.
Jean	O'Sullivan	Vt House of Representatives
Mary	Peterson	Vt Department of Taxes
Beth	Pierce	Vt Treasurer
Margaret	Pinelo-White	BCBS of Vt
Brian	Poulin	Vt Department of Taxes
Brenan	Riehl	GW Plastics, Inc.
Jordan	Robare	Dealer.Com
Linda	Rossi	Vt Small Business Development Center
Tom	Rugg	Hickok Boardman HR Intelligence
Rebecca	Sameroff	Vt Department of Taxes
Judy	Sassorossi	NFP Corporate Services, Inc.
Alyssa	Schuren	Vt ANR
Brian	Shupe	Vt Natural Resources Council
Janice	St Onge	Vt Sustainable Jobs Fund
Robert	Stewart	SOH Wind, LLC
Tom	Torti	Lake Champliain Reg. Chamber of Commerce
Lisa	Ventriss	Vt Business Roundtable
Bob	Zider	Vt Manufacturing Extension Center

ENDNOTES

[i] As required by §H14 of Act 157 (2016), the report of the VEGI Technical Working Group (TWG) examined whether the differential rates utilized in annual average wages or annual unemployment, as defined by LMA, are appropriate triggers for an incentive enhancement and whether the margins of error in annual LMA data are within an acceptable range of tolerance for this use. The VEGI TWG concluded: "It is the recommendation of the TWG that using the annual average wage rate and the annual average unemployment rate to determine whether an area is eligible for a potentially (requires board approval) enhanced award amount is both technically valid and reliable. The inclusion of an error rate into the annual determination is not merited from a technical perspective. No technical changes are proposed. This recommendation is silent on any proposed changes based on public policy which could decide to increase, decrease, or eliminate any preferential treatment of LMAs determined to be in greater economic distress." Return to Page 12.

[ii] Dan D'Ambrosio (2016, September 26) Behind the Scenes of the Two Dealer.com Buyouts. Burlington Free Press. Retrieved from http://www.burlingtonfreepress.com/story/money/2016/09/29/behind-scenes-two-dealer-buyouts/91123494/
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[iii] The "capital stack" is the total capital invested in a project required to implement the project. Capital stacks typically include: common equity, preferred equity, mezzanine debt, and senior debt. Each level of investment comes with its own unique risks and rewards. Return to Page 17.