



State of Vermont
Agency of Administration
Office of the Secretary
Pavilion Office Building
109 State Street
Montpelier, VT 05609-0201
www.aoa.vermont.gov

[phone] 802-828-3322
[fax] 802-828-3320

Justin Johnson, Secretary

MEMORANDUM

TO: Emergency Board Members
FROM: Justin Johnson, Secretary of Administration
DATE: 10/15/2015
SUBJECT: Next Emergency Board Meeting

There will be an Emergency Board meeting on Monday, October 19, 2015, 1:30 p.m., 5th Floor Conference Room, Pavilion Office Building, 109 State Street, Montpelier, Vermont.

The agenda items are as follows:

1. Approval of the proposed allocation of the Vermont Enterprise Fund (2014 Act 179 Sec. E.100.5).
Executive session requested for the approval of proprietary information.
2. Vermont Economic Progress Council: Request to Exceed \$1 Million Cap on Employment Growth Incentives in Excess of Net Fiscal Benefit for Calendar Year 2015 and 2016 (32 V.S.A. 5930b(b)(5))

Materials for item one are proprietary and will be distributed at an executive session. Materials for item two are enclosed.

cc: Senator Kevin Mullin, Chair, Senate Committee on Economic Development, Housing & General Affairs
Representative William Botzow, Chair, House Committee on Commerce & Economic Development
Steve Klein, Joint Fiscal Office



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MEMORANDUM

TO: Emergency Board
FROM: Justin Johnson, Secretary of Administration
DATE: October 19, 2015
SUBJECT: Vermont Economic Progress Council: Request to Exceed \$1 Million cap on Vermont Employment Growth Incentives in Excess of Net Fiscal Benefit for Calendar Years 2015 and 2016 (32 VSA 5930b(b)(5))

In accordance with 32 VSA 5930b(b)(5), we are submitting for your approval a request from the Vermont Economic Progress Council (VEPC) for authorization to exceed the \$1 Million maximum amount beyond net fiscal benefit in employment growth incentives (VEGI) for calendar years 2015 and 2016. The \$1 million limit applies to aggregate amount of the difference between the normal incentive amount and the amount approved beyond the net fiscal benefit in each calendar year.

The authority to increase incentives for projects occurring in economically disadvantaged regions of the state has existed since the creation of the VEGI program in 2007, but the ability to request authority to exceed the cap was added by Act 51 during the 2015 legislative session.

VEPC is requesting authority to exceed the calendar year 2015 Subsection 5 cap by *up to* \$200,000. VEPC has considered ten applications to date for projects that commence in calendar 2015. Four were eligible for use of the Subsection 5 authority. One of the applications has Final Approval, one is on the October 22 agenda for Final Approval and the other two will be on the December 3 VEPC agenda for Final Approval. The projected economic activity of each application can change when applications are finalized. Staff estimates that when all four applications receive final approval at the rates approved for utilization of the Subsection 5 authority, the increase could exceed the cap by about \$72,477. However, the final applications for two projects have not yet been received. The additional increase is requested to cover those applications if the economic activity in their Final Applications causes an increase in the amount over the cap.

For calendar 2016, one application has been given Initial Approval with Subsection 5 authority using \$844,368 of the \$1 million 2016 calendar year cap. VEPC is requesting authority to exceed the calendar 2016 cap by *up to* \$500,000 to allow for use of this authority for additional projects that may occur in economically disadvantaged regions of the state for which applications may be filed later this year or in 2016. A 2016 Initial Application, which will be considered for Subsection 5 approval because it is proposed for the Northeast Kingdom, is on the agenda for the October 22 VEPC meeting. That application could cause the 2016 cap to be exceeded by \$51,643.

These projects combined are expected to create 337 full-time jobs – all outside Chittenden County.

VEGI incentives have been successful in ensuring the growth of Vermont businesses and bringing jobs and capital investment to Vermont. The ability to offer additional incentives for projects that might occur in economically disadvantaged regions of the state ensures that more jobs are created outside of Chittenden County and the incentives are utilized to encourage economic activity throughout the state.

YEAR/COMPANY	Status	Location	Normal Incentive	Enhanced Incentive	Against Cap
2015					
National Hanger Company	Final	No. Bennington	\$ 42,483	\$ 227,668	\$ 185,185
Revision Ballistics, LTD	Final	Newport	\$ 431,875	\$ 619,007	\$ 187,132
Vermed	Initial	Bellows Falls	\$ 286,735	\$ 506,750	\$ 220,015
GW Plastics	Initial	Bethel	\$ 496,980	\$ 977,125	\$ 480,145
Total			\$ 1,258,073	\$ 2,330,550	\$ 1,072,477
2016					
GS Precision	Initial	Brattleboro	\$ 219,010	\$ 1,063,378	\$ 844,368
Canadian Prospect	22-Oct	St Johnsbury	\$ 487,436	\$ 694,711	\$ 207,275
Total			\$ 706,446	\$ 1,758,089	\$ 1,051,643

To: Justin Johnson, Secretary of Administration
From: Fred Kenney, Executive Director, VEPC
Date: October 14, 2015
Subject: Vermont Economic Progress Council: Request to Exceed \$1 Million Cap on Vermont Employment Growth Incentive Approvals Utilizing Subsection 5 Authority

The Vermont Economic Progress Council (VEPC) is responsible for the application and authorization process for the Vermont Employment Growth Incentive (VEGI) program. Under the new process provided by Act 51 (2015), the Council is applying to the Emergency Board for authority to exceed the \$1,000,000 calendar year cap on VEGI authorizations in excess of the net revenue benefit for projects occurring in economically disadvantaged regions of the state. We request authority to exceed the 2015 calendar year cap by up to \$200,000 and the 2016 cap by up to \$500,000.

BACKGROUND:

Since the inception of the VEGI program in 2007, the VEPC Board has had the authority to approve incentives beyond the normal cost-benefit calculation for projects that will occur in economically disadvantaged regions of the state. The regions are defined as Labor Market Areas (LMA) that have lower-than-average wages and higher-than-average unemployment. The eligible LMAs are certified each year by the Department of Labor. Because the use of this authority is capped, in addition to the statutory geographic limitation, VEPC implemented a set of criteria to be considered to help determine whether the authority should be utilized and to what extent. If the VEPC Board chooses to utilize this authority, the net revenue return estimated by the cost-benefit model is reduced approximately dollar for dollar by the amount the incentive is increased. The use of this authority is capped at \$1 million each calendar year by counting the difference between the normal incentive amount and the enhanced incentive amount against the cap.

Section G2 of Act 51 passed during the 2015 session codified this cap in 32 V.S.A. and amended the provision to allow the Council to exceed the cap upon application to and approval by the Emergency Board:

“(5) (A) Notwithstanding subdivision (3) of this subsection, the Council may authorize incentives in excess of net fiscal benefit multiplied by the incentive ratio for awards to businesses located in a labor market area 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.

(B)(i) Except as provided in subdivision (B) (ii) of this subdivision (5), the total amount of employment growth incentives the Vermont Economic Progress Council is authorized to approve under subdivision (A) of this subdivision (5) shall not exceed \$1,000,000.00 from the General Fund.

(ii) The Council shall have the authority to exceed the cap imposed in subdivision (i) of this subdivision (5) (B) upon application to and approval by the Emergency Board.”

REQUEST:

VEPC is requesting authority to exceed the calendar year 2015 Subsection 5 cap by *up to* \$200,000. VEPC has considered ten applications to date for projects that commence in calendar 2015, four of which utilized the Subsection 5 authority. One of the applications has Final Approval, one is on the October 22 agenda for Final Approval and the other two will be on the December 3 VEPC agenda for Final Approval. The projected economic activity of each application can change when applications are finalized. Staff estimates that when all four applications receive final approval at the rates approved for utilization of the Subsection 5 authority, the increase could exceed the \$1million cap by about \$72,477. However, the final applications for two projects have not yet been received. The additional increase is requested to cover those applications if the economic activity in their Final Applications causes an additional increase in the amount over the cap.

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Item Two

DRAFT MOTION
EMERGENCY BOARD October 19, 2015

VERMONT ECONOMIC PROGRESS COUNCIL REQUEST TO EXCEED AN AGGREGATE \$1 MILLION IN EMPLOYMENT GROWTH INCENTIVES IN EXCESS OF THE NET FISCAL BENEFIT FOR CALENDAR YEARS 2015 AND 2016.

In accordance with 32 VSA §5930b(b)(5), the Emergency Board hereby authorizes the Vermont Economic Progress Council to exceed the \$1 million aggregate cap on Vermont employment growth incentive authorizations in excess of the net fiscal benefit for calendar year 2015 by up to an additional \$200,000 and for calendar 2016 by up to an additional \$500,000.

The Emergency Board further commits to expeditiously consider further increases to the 2016 cap if the Administration so proposes later in 2016.