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**STATE OF VERMONT**  
LEGISLATIVE JOINT FISCAL COMMITTEE

Thursday, January 14, 2010

The Legislative Joint Fiscal Committee approved (9-0-0) a Vermont Economic Growth Incentive (VEGI) proposal from the Vermont Economic Progress Council (VEPC) for authorization to exceed the \$10 million maximum amount in VEGI for calendar year 2010. (See attached proposal).

Respectfully,

A handwritten signature in blue ink, appearing to read "Theresa Utton-Jerman".

Theresa Utton-Jerman  
Joint Fiscal Office

## MEMORANDUM

To: Members, Joint Fiscal Committee  
From: Fred Kenney, Executive Director, VEPC  
CC: Steve Klein, Joint Fiscal Office  
Date: February 4, 2010  
RE: Vermont Employment Growth Incentive Cost-Benefit Model Update

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The Vermont Economic Progress Council is responsible for implementing the application and authorization portion of the Vermont Employment Growth Incentive program. As part of the application review process, the Council applies a cost-benefit model to determine how a project will economically and fiscally impact the State of Vermont. The model was developed by and is currently implemented by Economic & Policy Resources, Inc. (EPRI), through a State of Vermont contract agreement. The initial development and utilization of, subsequent annual updates to, and any modifications to, the cost-benefit model have been presented to and approved by the Joint Fiscal Committee, as required by statute.

Recently, EPRI prepared and submitted to VEPC a memo outlining the annual model updates that were performed to ensure appropriate consideration of VEGI applications in calendar 2010. In accordance with 32 V.S.A. §5930a(d), VEPC hereby provides notice to the Joint Fiscal Committee of the annual updates to the model that were completed for calendar 2010. No modifications were made to existing model elements. Only updates to economic, fiscal and demographic data, as follows:

- To reflect changes in the economy that affect the calculations of the costs and benefits of an application;
- To reflect changes in tax statute and rates that affect the calculations of the costs and benefits of an application; and
- To reflect changes to the model to maintain compatibility with the latest version of the REMI Input/Output software.

At the request of the Council, a new element was added to the model and the cost-benefit reports that are provided to the Council by EPRI. Title 32 §5930b(b)(5) provides that the Council may authorize incentives in excess of the normal incentive calculation. The aggregate of the excess of any such authorizations are limited by a cap of \$1,000,000 (Act 184 (2006), §11(a)). The cap also limits authorizations of this type by labor market area as determined by economic data certified by the Vermont Department of Labor. According to the latest data certified by the department, the LMA currently excluded is Burlington/So Burlington. In addition to the statutory geographic limitation, the Council added a set of criteria that must be met for an application to be considered under this authority. The VEPC Executive Director provides the Council with data and information to determine whether the application meets the criteria. The data elements added to the model and the resulting additional page added to the cost-benefit report provides the Council with the data it needs to determine the amount that can be considered in excess of the normal incentive and indicates what the resulting net revenue benefit would be if

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the determination were made to authorize an incentive in excess of the normal incentive calculation.

The attached memo from EPRI to VEPC contains details on the updates that were completed. No changes were made to the way VEGI applications are treated by the model, nor were modifications made to the model operation. One element was added to provide the Council with additional data but that change did not alter the existing current operation of the model. The primary change in the 2010 model was the annual update of key fiscal and demographic data used in the model. This is done annually to keep the cost-benefit model as close to reflecting the current economic conditions as possible.

# Memo

**To:** Fred Kenney, Executive Director, Vermont Economic Progress Council  
**From:** Mathew J. Barewicz and Jeffrey B. Carr  
**Date:** February 2, 2010  
**Re:** Annual Update: Fiscal Cost-Benefit Model

## I. Background

The completion of calendar year 2009 marks the third full year of operations for the Vermont Employment Growth Incentive (VEGI). VEGI is the latest economic development incentive program overseen by the Vermont Economic Progress Council (VEPC) which has provided oversight for the state's economic development incentive programs since 1999 when the Economic Advancement Tax Incentive (EATI) program was passed by the Vermont General Assembly. The EATI program was replaced by the 2006 General Assembly with the current VEGI program. As part of the new program, a VEGI Technical Working Group – including representation from VEPC, the Legislature and the Vermont Department of Taxes – was formulated to monitor, assess, and evaluate the implementation of the new VEGI program. This process was undertaken given the implementation experience with the EATI program.

## II. Purpose of Memorandum

This memo is intended to document the completion of the annual update of the VEGI model for use during calendar year 2010. As is evident by the current economic climate, annual VEGI updates continue to be important because they recalibrate the fiscal cost-benefit model to the new economic 'normal'. Without such updates, a model like the VEGI fiscal cost-benefit model would get off-track, and could over- or under-estimate economic and fiscal impacts using growth rates and projections which reflect conditions from a different part of the economic cycle which may no longer apply. Currently, because the economic "earth" shifted so significantly beneath our feet over the last year, the new consensus long-term economic and revenue forecasts that apply to calendar year 2010 are much different than the consensus forecasts included in the VEGI fiscal cost-benefit model that were employed just 12 months ago. This annual update of the VEGI model incorporates all of the most recent consensus forecast and all of the latest fiscal information available as of February 1, 2010 (e.g. the January 2010 Legislative-Administration Consensus Revenue Forecast approved by the Vermont

Emergency Board on January 13, 2010). All the key fiscal and demographic data in the model that form the bridges needed to convert the economic impact concepts into the fiscal data used in the cost-benefit model scorekeeping have been updated.

As part of the annual update, a comprehensive regional analysis was performed to ensure appropriate classification by economic vitality for each of the 14 counties in Vermont. In addition, the methodology for calculating the average annual background growth rate by industry was reviewed and discussed with the VEGI Technical Working Group. This fosters the primary mission of the annual update by employing the most updated information and the most theoretically correct methodologies to promote the highest degree of accuracy in the cost/benefit estimates. Using updated data that reflect the changes in the economy will help assure realistic and reasonable estimates of fiscal impact for all VEGI applications. In summary, the economic, demographic, and fiscal data update process was completed in exactly the same manner as the previous annual updates of the VEGI fiscal cost-benefit model which have been completed for the both the VEGI and the EATI programs since they began back in 1999.

### **III: Standard Annual Model Updates**

#### **a. Firm Data Page**

The basic components of the analysis are entered into this page. These basic components set the high order calibrations of the model to capture such important variables as industry classification and project location. On this page, there were three parts which required updating. The first was the base year of the model or in most cases, the year of project commencement. This variable was changed from 2009 to 2010 to reflect the current year. As a dynamic variable, this change followed through the entire model.

The second section which was reviewed for the current year was the regional differentials. As discussed above, a comprehensive regional analysis is performed each year as part of the annual update to ensure appropriate classification by economic vitality for each of the 14 counties in Vermont. This analysis was performed consistent with previous year's methodology and data sources. As a result of this analysis, the regional differentials were kept the same from the previous year since the analysis indicated there was no significant relative change between the subject counties.

The last part updated was an addition of a binary variable to track if the applicant (as determined by the project location) was eligible for an "enhanced" incentive amount under statutory regulations. This addition is discussed in greater depth in section IV of this memorandum.

**b. Project Data and Modular Settings Pages:**

The Project Data Page is where the specifics of the applicant's proposed project are entered. This page also contains several statistics used in the various calculations of costs and benefits found throughout the model. The Modular Settings Page is a support calculation table for some of the data which flows through to the Project Data Page. They were updated in tandem. The following is a list of the specific items updated on these pages which are consistent with all previous annual updates.

1. **Property Value Inflator:** The property value inflator is used in the calculation of an applicant's benefits, specifically in the calculation of Education Fund revenues. It is used as a growth measure of property values of an applicant's project in order to calculate the expected difference in education fund revenues between the growth in property values with and without the applicant's project. This figure is obtained from the most recent Consensus Forecast for Education Fund concepts of the Legislative Joint Fiscal Office and the Douglas Administration. The prior model's figures are updated with the new forecast figures. This figure is used in conjunction with the Projected Statewide Grand List Growth Rate. This figure is used as a projected measure of growth of the statewide grand list and used in the calculations of changes in property values as a background rate of growth.
2. **Statewide School Tax Rate for Residential and Nonresidential Property:** These metrics are used in the calculation of the revenue generated from the proposed project which will be contributed to the Education Fund based on both residential and nonresidential property improvements. The original data source for this update was the Vermont Department of Taxes (for fiscal year 2010).
3. **State & Local Government Price Deflator:** This figure is used in the calculation of various costs and benefits associated with an applicant's project. It is used to project the growth of the various funds' costs and revenues forward in time. This figure was obtained from the same Consensus Forecast of the Legislative Joint Fiscal Office and the Douglas Administration referred to in #1 above.
4. **Estimated Per Student Grant, Estimated Special Education Per Equalized Pupil:** These figures are used in the calculation of changes in education costs associated with an applicant's project. The figures are on a "per equalized pupil" basis and used in conjunction with the changes associated in school age population related to the applicant's proposed project. The data source for the near-term per pupil payment is the Vermont Department of Taxes with longer run forecast calculated exactly the same way as the

Vermont Department of Taxes does for the near-term numbers using the consensus State & Local Government Price Deflator forecast by the Legislative Joint Fiscal Office and the Administration for the forecasted years as presented in #3 above.

5. Vermont Estimated Population: As this update takes place in an intercensal year, the figure used in this update of the cost/benefit model is the population estimates for the state of Vermont embedded in the REMI model. This figure is used when converting any of the data in the cost-benefit model into per capita figures.
6. FY General Fund Expenditures, FY Expenditures Fund Appropriations: These figures are used to calculate the changes in General Fund and Transportation Fund costs associated with the change in population related to an applicant's project in the most recent fiscal year. The figures are converted to a per capita basis and used in conjunction with the change in population associated with each applicant's project. The updated figures are obtained from the Vermont Department of Finance and Management and the Legislative Joint Fiscal Office.
7. Corporate Revenue/Nonfarm Supervisory Job: This figure is also used to estimate revenues associated with a change in employment from an applicant's project. It relates levels of corporate income tax to a per job basis. This can then be used to estimate the incremental corporate income tax associated with a change in employment related to an applicant's project. This figure is obtained from the most recent total corporate tax revenue divided by the BEA's concept of employment data (and includes both full-time and part-time jobs). The BEA employment series data is used as a predictor of future revenues in the model and is used since it is the most inclusive data on employment (e.g. including a count of the state's self-employed workers) that exists for a state where self-employed workers comprise a significant share of the state work force.
8. Per Capita Other General Fund Revenues, Per Capita Other Transportation Fund Revenues: These figures are used to capture the 'Other' category of revenues found in the General and Transportation Funds. They are converted to a per capita basis and used in conjunction with the change in population associated with an applicant's project. The updated figure is obtained from the most recent fiscal year tax revenues divided by the population.
9. State Personal Income Tax Rate, State Sales & Use Tax Rate, State Gas Tax Rate, State MVP&U Tax Rate, Background Statewide Education Property Tax Rate: These figures are used to determine part of the

forecasted revenues over the forecast impact period from the new demand from an applicant's proposed project. They are applied to the changes in consumption associated with an applicant's project to yield projected incremental tax revenues. These figures are obtained from the most recent fiscal year data available on total taxes received. These data are then applied to various REMI consumption items to complete the bridge between REMI economic output data and the state's fiscal cost-benefit concepts.

#### c. REMI Economic Output Page

In addition to being the recipient of the output of the REMI input/output model, there are several embedded REMI control variables which are updated as part of the annual model update. Consistent with previous year's updates, the equilibrium data from the REMI control is updated for the year of application. These variables include several consumption related variables such as overall consumption, general price indices, as well as specific price indices by consumption category.

#### d. Qualifying and Non-Qualifying Jobs & Wages Pages

As a result of the change in the model's base year from 2009 to 2010, the lookup function which finds the REMI input-output anticipated level of compensation by industry needed to be updated and tested to ensure accuracy accounting for the change in model years.

#### e. Present Value Calculations Page

This page calculates the present value of the total benefits and costs associated with a project. The updated present value discount rate was obtained from the Vermont Treasurer's Office for the state's most recent interest rate associated with the most recent sale of Vermont full-faith-and-credit General Obligation Bonds—which in this case was the 2009 General Obligation Bonds offering. The 2010 sale was still pending at the time the model was updated.

#### f. Background Growth Rate Lookup Page

As described above, a comprehensive evaluation of industry growth is performed by 3-digit NAICS code. Due to new information of the state of the United States business cycle as published by the National Bureau of Economic Research, it was determined by the VEGI Technical Working Group through a December 2009 email poll to maintain the same industry background growth rates as used in the 2009 model because the time period of study 1990-2007 represents two full business cycles. By using two full business cycles from trough to trough, the approach to calculating background growth by industry has been standardized and desensitized to intermediate and intermittent fluctuations in the economy attributable to



comparisons of data absent consideration of time and the nature of the business cycle.

#### **IV: Addition to the Model**

##### **a. Enhanced Present Value Calculations Page**

Per the request of the Vermont Economic Progress Council and consistent with statute, an additional calculation needed to be added to the VEGI model. Added as a stand-alone page, the 'subsection 5 enhanced' incentive amount is calculated resulting in a net neutral return to the state. The authority to consider an "enhanced" incentive amount is granted the VEPC board in 32 VSA §5930b(c)(5), but is only applicable to those applications proposing a project located in Labor Market Areas (LMAs) certified eligible by the Department of Labor. As of the date of this report, the only LMA which is excluded from a potential enhanced award amount is the Burlington-South Burlington LMA. The calculation is activated by a binary variable (as described above in section III a) based on the project location. The results of the calculation are presented in tabular form on this page as well as in a display box added at the bottom of the analysis report write up page.

Please feel free to call us at 878-0346 with any questions or comments about these updates. If Mat is not available, please feel free to speak with Jeff on these updates.

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Thursday, January 14, 2010

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Respectfully,


Theresa Utton-Jerman  
Joint Fiscal Office

# Joint Fiscal Office

1 Baldwin Street • Montpelier, VT 05633-5701 • 802) 828-2295 • Fax: 802) 828-2483

## MEMORANDUM

To: Representative Michael Obuchowski, Chair and Members, of the Joint Fiscal Committee

From:  Stephen Klein, Chief Fiscal Officer

Date: January 14, 2010

Subject: VEGI cap increase proposal - Authorization for material review

The Emergency Board has arranged a follow up meeting at 10:00 AM on January 22, to make a decision on the Administration's proposal to increase the VEGI cap. (see attached).

The Chair has asked our office to poll the members of the committee to authorize Tom Kavet to review specific applicant files as part of the information gathering he would like to occur as part of this review. The VEGI statute requires that any such review be based on a formal committee authorization:

*(h) 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 Title 1, 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 is disclosed in a form that cannot identify or be associated with a particular business.*

You should be aware that Fred Kenny of the VEGI program and, indirectly the Secretary of ACCD, have indicated that they are not supportive of such access and review as they are concerned it creates a potential issue of a legislative agent second guessing the decisions of a Board, the board itself has not discussed the proposals and they are concerned with the precedent set. While discussions over their concerns are on going, in the interest of time the chair has asked us to proceed with the committee poll.

Please email or let Rebecca Buck ([rbuck@leg.state.vt.us](mailto:rbuck@leg.state.vt.us) or 828-5969) or Theresa Utton ([tutton@leg.state.vt.us](mailto:tutton@leg.state.vt.us) or 828-5767) know of your support or opposition to such an authorization by tomorrow afternoon (Friday, January 15, 2010).



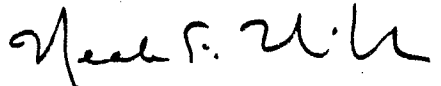
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Neale F. Lunderville, Secretary

## MEMORANDUM

**TO:** Emergency Board Members

**FROM:** Neale F. Lunderville, Secretary of Administration 

**DATE:** January 5, 2010

**SUBJECT:** Vermont Economic Progress Council: Request to Exceed \$10 Million in Employment Growth Incentives for Calendar Year 2010 (2006 Act 184 Sec 11(c))

In accordance with 2006 Act 184 Sec. 11(c), we are submitting for your approval a request from the Vermont Economic Progress Council (VEPC) for authorization to exceed the \$10 million maximum amount in employment growth incentives (VEGI) for calendar year 2010. The \$10 million limit applies to projects that will commence in calendar year 2010. The pace of applications to the program, and approvals rendered through December 2009 suggest that a new "cap" of \$25 million would provide sufficient capacity to offer the incentives to companies that have already shown an interest in applying for them.

Applications approved in calendar year 2009, that would commence in calendar year 2010, total \$4.9 million of the existing \$10 million cap, leaving insufficient capacity to consider even the applicants expected to apply for incentives at the January 28, 2010 VEPC meeting. Other applications are expected in February and March, and throughout 2010.

The proposed motion raises the 2010 cap to \$25 million, and states the commitment of the Emergency Board to expeditiously consider further increases to the cap if the Administration so proposes later in 2010.

VEGI incentives have been successful in ensuring the growth of Vermont businesses and bringing jobs and capital investment to Vermont. An inability to offer incentives if the \$10 million cap is not increased could result in companies choosing not to expand, scaling back their growth, or in taking their business elsewhere. The VEGI program is a critical tool in the State's economic development efforts and the creation of good jobs for Vermonters.

Attachments





**PROPOSED MOTION  
EMERGENCY BOARD JANUARY 13, 2010**

**VERMONT ECONOMIC PROGRESS COUNCIL REQUEST TO EXCEED \$10  
MILLION IN EMPLOYMENT GROWTH INCENTIVES FOR CALENDAR  
YEAR 2010 (2006 ACT 184 SEC. 11(c))**

In accordance with 2006 Act 184 Sec. 11(c), the Emergency Board hereby authorizes the Vermont Economic Progress Council to exceed the \$10 million cap on Vermont employment growth incentive authorizations to a maximum of \$25 million for calendar year 2010.

The Emergency Board further commits to expeditiously consider further increases to the cap if the Administration so proposes later in 2010.

# VERMONT EMPLOYMENT GROWTH INCENTIVE PROGRAM

## FACTS

### THROUGH DECEMBER 31, 2009

- Since its inception in 2007, through the end of 2009, there have been 41 applications to the VEGI program. Twenty-seven are active, 3 were denied, and 11 have been rescinded or revoked.
- The 27 active projects were authorized for maximum incentives totaling \$16 million, which will be earned between 2007 and 2014 and paid out between 2008 and 2019.
- These 27 projects are estimated to generate the following between 2007 and 2014:
  - 1,953 direct, full-time jobs (Qualifying and Non-qualifying)
  - 2,034 indirect jobs
  - 2,254 jobs retained
  - \$84 million in new qualifying payroll
  - \$54,984 in average total compensation
  - \$137 million in new qualifying capital investments
- The 28 projects will also generate **net new tax revenues of \$12.4 million** for the State of Vermont.
- The Administration is requesting that the Emergency Board authorize VEPC to exceed the \$10 million cap for calendar 2010.
- Projects authorized to date for incentives that commence in calendar 2010 total \$4.9 million.
- Companies expected to file applications for consideration at the January 28, 2010 VEPC meeting may be eligible for incentives totaling \$16.7, which would bring the 2010 total to \$21.6 million.
- To ensure program capacity throughout 2010, the Administration is requesting that the cap be increased to \$25 million for calendar 2010.





VERMONT EMPLOYMENT GROWTH INCENTIVE - AUTHORIZATION SUMMARY									
AS OF DECEMBER 2009									
Company Name	Date Considered	Authorization Period	Status	Maximum Incentive Considered	LOCATION	Minimum Net Revenue Benefit	Type of Project		
Ink Jet Machinery of Vermont	26-Jan-07	n/a	Rescinded Jan 24, 2008	\$ 336,068	Dorset	\$ -	Startup		
Olympic Precision, Inc/WIC/Town of Windsor	26-Jan-07	n/a	Rescinded Sept 6, 2007	\$ 474,420	Windsor	\$ -	Recruitment		
Monahan SFI, LLC	16-Feb-07	n/a	Revoked Sept 26, 2009	\$ 791,277	Middlebury	\$ -	Plant Restart		
Qimonda North America Corp.	16-Feb-07	n/a	Rescinded Mar 27, 2008	\$ 229,672	So. Burl	\$ -	Ret/Expansion		
Rehab Gym, Inc.	22-Mar-07	n/a	Denied	\$ 286,439	Colchester	\$ -	Ret/Expansion		
Applejack Art Partners	3-May-07	n/a	Rescinded Oct 26, 2007	\$ 86,539	Manchester	\$ -	Recruitment		
Ormi Measurement Systems	3-May-07	2007 - 2011	Active - Final	\$ 677,644	Milton	\$ 324,649	Ret/Expansion		
Vermont Timber Frames	3-May-07	2007 - 2011	Active - Final	\$ 166,126	Bennington	\$ 70,611	Recruitment		
Battenkill Technologies, Inc.	26-Jun-07	n/a	Rescinded Jun 26, 2008	\$ 79,084	Manchester	\$ -	Recruitment		
Burton Corporation	26-Jun-07	2007 - 2011	Active - Final	\$ 1,659,969	Burlington	\$ 2,212,917	Ret/Expansion		
Energizer Battery Manufacturing, Inc.	26-Jul-07	n/a	Rescinded May 28, 2009	\$ 607,547	St Albans	\$ -	Ret/Expansion		
NEHP, Inc.	26-Oct-07	2007 - 2011	Active - Final	\$ 182,396	Williston	\$ 94,388	Ret/Expansion		
Green Mountain Coffee Roasters	26-Oct-07	2007 - 2011	Active - Final	\$ 1,786,825	Waterbury/Essex	\$ 2,129,672	Ret/Expansion		
Know Your Source, LLC	6-Dec-07	n/a	Denied	\$ 71,302	Burlington	\$ -	Start-up		
Mascoma Corporation**	25-Oct-07	n/a	Rescinded Jun 26, 2008	\$ 1,942,989	WRJ	\$ -	Recruitment		
CNC North, Inc.	6-Mar-08	2008-2012	Active - Final	\$ 70,533	Springfield	\$ 29,542	Ret/Expansion		
Vermont College of Fine Arts	27-Mar-08	2008-2012	Active - Final	\$ 206,737	Montpelier	\$ 126,260	Start-up		
Isosolta, Inc.	26-Jun-08	n/a	Rescinded May 28, 2009	\$ 568,330	Rutland	\$ -	Ret/Expansion		
Vermont Castings Holding Company**	18-Sep-08	n/a	Rescinded May 28, 2009	\$ 488,000	Bethel	\$ -	Ret/Expansion		
New England Precision, Inc./Clifford Properties, Inc.	18-Sep-08	2008-2012	Active - Final	\$ 241,236	Randolph	\$ 360,928	Ret/Expansion		
Utility Risk Management Corp	23-Oct-08	2008-2012	Active - Final	\$ 377,371	Stowe	\$ 185,973	Recruitment		
Helix Global Solutions, Inc.	4-Dec-08	n/a	Rescinded Dec 4, 2008	\$ 83,739	Burlington Area	\$ -	Recruitment		
Vermont Wood Energy Corp**	4-Dec-08	n/a	Denied	\$ 293,967	Rutland	\$ -	Start-up		
Tata's Natural Alchemy	4-Dec-08	2008-2012	Active - Final	\$ 231,531	Whiting/Shoreham	\$ 96,498	Start-up		
BioTek Instruments, Inc./Lionheart Technologies, Inc.	4-Dec-08	2009-2013	Active - Final	\$ 692,864	Winooski	\$ 1,069,543	Ret/Expansion		
Dominion Diagnostics, LLC	22-Jan-09	2009-2013	Active - Final	\$ 103,300	Williston	\$ 52,239	Recruitment		
Albany College of Pharmacy	22-Jan-09	2009-2013	Active - Final	\$ 630,460	Colchester	\$ 345,716	Recruitment		
Maple Mountain Woodworks, LLC	11-Dec-09	2009-2013	Active - Final	\$ 143,436	Richford	\$ 69,067	Start-up		
AdKintag, LLC	26-Mar-09	2009-2013	Active - Final	\$ 663,722	Essex	\$ 263,994	Recruitment/SU		
Vermont Transformers, Inc.**	26-Mar-09	2009-2013	Active - Final	\$ 267,660	St Albans	\$ 66,010	Recruitment		
Project Graphics, Inc.	30-Apr-09	2009-2013	Active - Final	\$ 230,414	So. Burlington	\$ 112,162	Recruitment		
Dumas of Awnings, Inc.	28-May-09	2009-2013	Active - Final	\$ 246,795	Middlebury	\$ 126,920	Ret/Expansion		
AirBoss Defense USA, Inc.	24-Sep-09	2009-2013	Active - Final	\$ 243,279	Milton	\$ 110,725	Recruitment		
Commonwealth Yogurt, Inc.	25-Jun-09	2009-2013	Active - Final	\$ 1,201,184	Brattleboro	\$ 614,308	Recruitment/SU		
Terry Precision Bicycles for Women, Inc.	11-Dec-09	2009-2010	Active - Final	\$ 126,296	Burlington	\$ 63,440	Recruitment		
Northern Power Systems, Inc. **	11-Dec-09	2009-2013	Active - Final	\$ 806,104	Barre	\$ 238,796	Ret/Expansion		
Green Mountain Coffee Roasters, Inc.	11-Dec-09	2009-2013	Active - Final	\$ 292,307	Williston	\$ 1,736,611	Ret/Expansion		
SBE, Inc. **	11-Dec-09	2010-2014	Active - Final	\$ 3,048,761	Barre	\$ 817,673	Ret/Expansion		
Seldon Technologies, Inc. **	11-Dec-09	2010-2014	Active - Final	\$ 476,396	Windsor	\$ 136,972	Ret/Expansion		
MyWebGrocer	22-Oct-09	2010-2014	Active - Final	\$ 453,475	Burlington	\$ 266,567	Ret/Expansion		
Revision Eyewear	11-Dec-09	2010-2014	Active - Initial	\$ 933,206	Essex	\$ 724,616	Ret/Expansion		
** = "Green VEGI"									
Total Considered		Approved - Active	Denied	Rescinded	GREEN VEGI APPLICATIONS				
41		28	3	10	Considered	Active	Inactive		
7		4	3						
Application Count									
Total Incentives:		BY YEAR:							
		TOTALS	2007	2008	2009	2010			
Total Incentives Considered To Date		\$ 22,314,732	\$7,316,070	\$4,545,735	\$5,539,000	\$4,913,838			
Total Incentives Denied To Date		\$ 620,708	\$258,439	\$365,269	\$0	\$0			
Total Incentives Rescinded/Revoked to Date		\$ 5,656,430	\$2,603,372	\$3,053,058	\$0	\$0			
Net Incentives Authorized to Date		\$ 16,037,594	\$4,457,259	\$1,127,408	\$5,539,000	\$4,913,838			
Cap Balance		N/A	\$5,042,741	\$8,872,692	\$4,400,911	\$5,086,162			
Percent of Cap Utilized			45%	11%	55%	49%			
Potential Additional 2010 Applications:				Expected					Estimated
Status:	Type:	Potential Location:	Application Month:	Potential Incentive:	Cap Impact:	Potential Direct FT Jobs:	Potential Investment:	Potential Return:	Net Revenue
Totals to Date					\$ 4,913,838	\$5,086,162	1885	\$137,131,025	\$12,419,484
Company A	Pre-Application	Ret/Exp	Chit Cty	January 2010	\$5,115,000	\$10,028,838	306	\$25,178,000	\$2,676,000
Manufacturer A	Pre-Application	Ret/Exp	Chit Cty	January 2010	\$1,162,232	\$11,191,070	69	\$11,275,000	\$613,000
Manufacturer B (Green)	Pre-Application	Recruit/SU	Unk	January 2010	\$10,400,000	\$21,591,070	447	\$160,000,000	\$2,902,000
Manufacturer C (Green)	Pre-Application	Recruit	NEK	February 2010	\$127,476	\$21,718,546	23	\$200,000	\$22,000
Company B	Pre-Application	Recruit	Chit Cty	February 2010	\$158,111	\$21,876,657	13	\$620,000	\$70,000
Known New 2010 Applications					\$16,962,819		858	\$197,273,000	\$6,283,000
TOTALS					\$21,876,657		2743	\$334,404,025	\$18,702,484
Other Potential 2010 Applications									
Manufacturer D (Green)	Inquiry	Ret/Exp	Central VT	Unk	Unk	Unk	Unk	Unk	Unk
Company C	Inquiry	Recruit	Unk	Unk	Unk	Unk	Unk	Unk	Unk
Manufacturer E	Inquiry	Start-up	Unk	Unk	Unk	Unk	Unk	Unk	Unk
Manufacturer F	Inquiry	Recruit	Unk	Unk	Unk	Unk	Unk	Unk	Unk
Manufacturer G	Inquiry	Ret/Exp	NEK	Unk	Unk	Unk	Unk	Unk	Unk
Manufacturer H (Green)	Inquiry	Ret/Exp	Chit Cty	Unk	Unk	Unk	Unk	Unk	Unk
R&D A	Inquiry	Recruit	Upper Valley	Unk	Unk	Unk	Unk	Unk	Unk
Service Company A	Inquiry	Recruit/Start-up	NEK	Unk	Unk	Unk	Unk	Unk	Unk
Manufacturer I	Inquiry	Recruit	Chit/Franklin	Unk	Unk	Unk	Unk	Unk	Unk



# VERMONT EMPLOYMENT GROWTH INCENTIVE - AGGREGATED IMPACT BY YEAR

FOR INCENTIVES AUTHORIZED THROUGH December 2009

COST-BENEFIT ESTIMATE	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
Aggregate New Revenues to State (Present Value Dollars)		\$ 405,671	\$ 1,743,830	\$ 4,011,625	\$ 7,616,032	\$ 10,929,439	\$ 6,954,713	\$ 7,946,550	\$ 3,787,462					\$ 43,395,322
Aggregate Costs to State Other Than Incentive Payments (Present Value Dollars)		\$ 91,974	\$ 495,918	\$ 1,379,643	\$ 2,856,154	\$ 4,700,088	\$ 2,561,579	\$ 3,381,038	\$ 1,873,433					\$ 17,339,827
Aggregate Annual Incentive Payments (Present Value Dollars)		\$ 150,798	\$ 544,666	\$ 953,580	\$ 1,583,517	\$ 2,041,939	\$ 2,256,094	\$ 2,051,699	\$ 1,773,623	\$ 1,143,685	\$ 685,264	\$ 320,310	\$ 130,837	\$ 13,636,013
Aggregate Net New Revenues to State From Business Activity Resulting from Incentives (Present Value Dollars)		\$ 162,899	\$ 703,246	\$ 1,678,402	\$ 3,176,361	\$ 4,187,413	\$ 2,137,039	\$ 2,513,813	\$ 140,406	\$ (1,143,685)	\$ (685,264)	\$ (320,310)	\$ (130,837)	\$ 12,419,482
INCENTIVE EARNING SCHEDULE ESTIMATE	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	TOTAL
Maximum Incentives Possible to Earn (Nominal Dollars)	\$ 886,781	\$ 2,316,165	\$ 2,404,646	\$ 3,704,389	\$ 2,695,778	\$ 2,146,141	\$ 1,114,205	\$ 769,399						\$ 16,037,505
Estimated Incentives to be Earned Based on Application Data (Nominal Dollars)	\$ 771,548	\$ 2,025,214	\$ 2,127,852	\$ 3,360,763	\$ 2,407,104	\$ 1,936,570	\$ 1,030,881	\$ 700,839						\$ 14,360,770
INCENTIVE PAYOUT SCHEDULE ESTIMATE	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	TOTAL
Maximum Incentives Possible to be Paid Out (Nominal Dollars)		\$ 177,356	\$ 640,589	\$ 1,121,519	\$ 1,862,397	\$ 2,401,552	\$ 2,653,424	\$ 2,413,032	\$ 2,085,982	\$ 1,345,104	\$ 805,949	\$ 376,721	\$ 153,880	\$ 16,037,505
Estimated Incentives to be Paid Based on Application Data (Nominal Dollars)		\$ 62,123	\$ 349,637	\$ 844,723	\$ 1,516,777	\$ 2,112,880	\$ 2,443,852	\$ 2,329,704	\$ 2,017,421	\$ 1,345,104	\$ 805,949	\$ 376,721	\$ 153,880	\$ 14,360,770
ECONOMIC ACTIVITY PROJECTED	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	TOTAL
New Qualifying Jobs to be Created	142	333	293	388	341	240	89	59						1885
New Non-Qualifying Jobs to be Created														68
New Indirect Job Creation														2034
Total Job Creation														3987
Job Retention														2254
Average New Qualifying Job Total Compensation														\$54,984
New Qualifying Payroll to be Created	\$ 4,916,028	\$ 12,061,247	\$ 14,383,365	\$ 18,469,752	\$ 16,267,865	\$ 10,898,564	\$ 4,892,426	\$ 2,247,995						\$ 84,137,242
New Qualifying Capital Investments to be Made	\$ 17,295,702	\$ 19,692,891	\$ 26,412,561	\$ 38,353,411	\$ 17,607,911	\$ 13,640,789	\$ 3,475,680	\$ 652,080						\$ 137,131,025



## MEMORANDUM

To: Members, Joint Fiscal Committee  
From: Fred Kenney, Executive Director, VEPC  
CC: Steve Klein, Joint Fiscal Office  
Date: February 4, 2010  
RE: Vermont Employment Growth Incentive Cost-Benefit Model Update

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The Vermont Economic Progress Council is responsible for implementing the application and authorization portion of the Vermont Employment Growth Incentive program. As part of the application review process, the Council applies a cost-benefit model to determine how a project will economically and fiscally impact the State of Vermont. The model was developed by and is currently implemented by Economic & Policy Resources, Inc. (EPRI), through a State of Vermont contract agreement. The initial development and utilization of, subsequent annual updates to, and any modifications to, the cost-benefit model have been presented to and approved by the Joint Fiscal Committee, as required by statute.

Recently, EPRI prepared and submitted to VEPC a memo outlining the annual model updates that were performed to ensure appropriate consideration of VEGI applications in calendar 2010. In accordance with 32 V.S.A. §5930a(d), VEPC hereby provides notice to the Joint Fiscal Committee of the annual updates to the model that were completed for calendar 2010. No modifications were made to existing model elements. Only updates to economic, fiscal and demographic data, as follows:

- To reflect changes in the economy that affect the calculations of the costs and benefits of an application;
- To reflect changes in tax statute and rates that affect the calculations of the costs and benefits of an application; and
- To reflect changes to the model to maintain compatibility with the latest version of the REMI Input/Output software.

At the request of the Council, a new element was added to the model and the cost-benefit reports that are provided to the Council by EPRI. Title 32 §5930b(b)(5) provides that the Council may authorize incentives in excess of the normal incentive calculation. The aggregate of the excess of any such authorizations are limited by a cap of \$1,000,000 (Act 184 (2006), §11(a)). The cap also limits authorizations of this type by labor market area as determined by economic data certified by the Vermont Department of Labor. According to the latest data certified by the department, the LMA currently excluded is Burlington/So Burlington. In addition to the statutory geographic limitation, the Council added a set of criteria that must be met for an application to be considered under this authority. The VEPC Executive Director provides the Council with data and information to determine whether the application meets the criteria. The data elements added to the model and the resulting additional page added to the cost-benefit report provides the Council with the data it needs to determine the amount that can be considered in excess of the normal incentive and indicates what the resulting net revenue benefit would be if

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the determination were made to authorize an incentive in excess of the normal incentive calculation.

The attached memo from EPRI to VEPC contains details on the updates that were completed. No changes were made to the way VEGI applications are treated by the model, nor were modifications made to the model operation. One element was added to provide the Council with additional data but that change did not alter the existing current operation of the model. The primary change in the 2010 model was the annual update of key fiscal and demographic data used in the model. This is done annually to keep the cost-benefit model as close to reflecting the current economic conditions as possible.



# Memo

**To:** Fred Kenney, Executive Director, Vermont Economic Progress Council  
**From:** Mathew J. Barewicz and Jeffrey B. Carr  
**Date:** February 2, 2010  
**Re:** Annual Update: Fiscal Cost-Benefit Model

## I. Background

The completion of calendar year 2009 marks the third full year of operations for the Vermont Employment Growth Incentive (VEGI). VEGI is the latest economic development incentive program overseen by the Vermont Economic Progress Council (VEPC) which has provided oversight for the state's economic development incentive programs since 1999 when the Economic Advancement Tax Incentive (EATI) program was passed by the Vermont General Assembly. The EATI program was replaced by the 2006 General Assembly with the current VEGI program. As part of the new program, a VEGI Technical Working Group – including representation from VEPC, the Legislature and the Vermont Department of Taxes – was formulated to monitor, assess, and evaluate the implementation of the new VEGI program. This process was undertaken given the implementation experience with the EATI program.

## II. Purpose of Memorandum

This memo is intended to document the completion of the annual update of the VEGI model for use during calendar year 2010. As is evident by the current economic climate, annual VEGI updates continue to be important because they recalibrate the fiscal cost-benefit model to the new economic 'normal'. Without such updates, a model like the VEGI fiscal cost-benefit model would get off-track, and could over- or under-estimate economic and fiscal impacts using growth rates and projections which reflect conditions from a different part of the economic cycle which may no longer apply. Currently, because the economic "earth" shifted so significantly beneath our feet over the last year, the new consensus long-term economic and revenue forecasts that apply to calendar year 2010 are much different than the consensus forecasts included in the VEGI fiscal cost-benefit model that were employed just 12 months ago. This annual update of the VEGI model incorporates all of the most recent consensus forecast and all of the latest fiscal information available as of February 1, 2010 (e.g. the January 2010 Legislative-Administration Consensus Revenue Forecast approved by the Vermont

Emergency Board on January 13, 2010). All the key fiscal and demographic data in the model that form the bridges needed to convert the economic impact concepts into the fiscal data used in the cost-benefit model scorekeeping have been updated.

As part of the annual update, a comprehensive regional analysis was performed to ensure appropriate classification by economic vitality for each of the 14 counties in Vermont. In addition, the methodology for calculating the average annual background growth rate by industry was reviewed and discussed with the VEGI Technical Working Group. This fosters the primary mission of the annual update by employing the most updated information and the most theoretically correct methodologies to promote the highest degree of accuracy in the cost/benefit estimates. Using updated data that reflect the changes in the economy will help assure realistic and reasonable estimates of fiscal impact for all VEGI applications. In summary, the economic, demographic, and fiscal data update process was completed in exactly the same manner as the previous annual updates of the VEGI fiscal cost-benefit model which have been completed for the both the VEGI and the EATI programs since they began back in 1999.

### **III: Standard Annual Model Updates**

#### **a. Firm Data Page**

The basic components of the analysis are entered into this page. These basic components set the high order calibrations of the model to capture such important variables as industry classification and project location. On this page, there were three parts which required updating. The first was the base year of the model or in most cases, the year of project commencement. This variable was changed from 2009 to 2010 to reflect the current year. As a dynamic variable, this change followed through the entire model.

The second section which was reviewed for the current year was the regional differentials. As discussed above, a comprehensive regional analysis is performed each year as part of the annual update to ensure appropriate classification by economic vitality for each of the 14 counties in Vermont. This analysis was performed consistent with previous year's methodology and data sources. As a result of this analysis, the regional differentials were kept the same from the previous year since the analysis indicated there was no significant relative change between the subject counties.

The last part updated was an addition of a binary variable to track if the applicant (as determined by the project location) was eligible for an "enhanced" incentive amount under statutory regulations. This addition is discussed in greater depth in section IV of this memorandum.



b. Project Data and Modular Settings Pages:

The Project Data Page is where the specifics of the applicant's proposed project are entered. This page also contains several statistics used in the various calculations of costs and benefits found throughout the model. The Modular Settings Page is a support calculation table for some of the data which flows through to the Project Data Page. They were updated in tandem. The following is a list of the specific items updated on these pages which are consistent with all previous annual updates.

1. Property Value Inflator: The property value inflator is used in the calculation of an applicant's benefits, specifically in the calculation of Education Fund revenues. It is used as a growth measure of property values of an applicant's project in order to calculate the expected difference in education fund revenues between the growth in property values with and without the applicant's project. This figure is obtained from the most recent Consensus Forecast for Education Fund concepts of the Legislative Joint Fiscal Office and the Douglas Administration. The prior model's figures are updated with the new forecast figures. This figure is used in conjunction with the Projected Statewide Grand List Growth Rate. This figure is used as a projected measure of growth of the statewide grand list and used in the calculations of changes in property values as a background rate of growth.
2. Statewide School Tax Rate for Residential and Nonresidential Property: These metrics are used in the calculation of the revenue generated from the proposed project which will be contributed to the Education Fund based on both residential and nonresidential property improvements. The original data source for this update was the Vermont Department of Taxes (for fiscal year 2010).
3. State & Local Government Price Deflator: This figure is used in the calculation of various costs and benefits associated with an applicant's project. It is used to project the growth of the various funds' costs and revenues forward in time. This figure was obtained from the same Consensus Forecast of the Legislative Joint Fiscal Office and the Douglas Administration referred to in #1 above.
4. Estimated Per Student Grant, Estimated Special Education Per Equalized Pupil: These figures are used in the calculation of changes in education costs associated with an applicant's project. The figures are on a "per equalized pupil" basis and used in conjunction with the changes associated in school age population related to the applicant's proposed project. The data source for the near-term per pupil payment is the Vermont Department of Taxes with longer run forecast calculated exactly the same way as the

Vermont Department of Taxes does for the near-term numbers using the consensus State & Local Government Price Deflator forecast by the Legislative Joint Fiscal Office and the Administration for the forecasted years as presented in #3 above.

5. Vermont Estimated Population: As this update takes place in an intercensal year, the figure used in this update of the cost/benefit model is the population estimates for the state of Vermont embedded in the REMI model. This figure is used when converting any of the data in the cost-benefit model into per capita figures.
6. FY General Fund Expenditures, FY Expenditures Fund Appropriations: These figures are used to calculate the changes in General Fund and Transportation Fund costs associated with the change in population related to an applicant's project in the most recent fiscal year. The figures are converted to a per capita basis and used in conjunction with the change in population associated with each applicant's project. The updated figures are obtained from the Vermont Department of Finance and Management and the Legislative Joint Fiscal Office.
7. Corporate Revenue/Nonfarm Supervisory Job: This figure is also used to estimate revenues associated with a change in employment from an applicant's project. It relates levels of corporate income tax to a per job basis. This can then be used to estimate the incremental corporate income tax associated with a change in employment related to an applicant's project. This figure is obtained from the most recent total corporate tax revenue divided by the BEA's concept of employment data (and includes both full-time and part-time jobs). The BEA employment series data is used as a predictor of future revenues in the model and is used since it is the most inclusive data on employment (e.g. including a count of the state's self-employed workers) that exists for a state where self-employed workers comprise a significant share of the state work force.
8. Per Capita Other General Fund Revenues, Per Capita Other Transportation Fund Revenues: These figures are used to capture the 'Other' category of revenues found in the General and Transportation Funds. They are converted to a per capita basis and used in conjunction with the change in population associated with an applicant's project. The updated figure is obtained from the most recent fiscal year tax revenues divided by the population.
9. State Personal Income Tax Rate, State Sales & Use Tax Rate, State Gas Tax Rate, State MVP&U Tax Rate, Background Statewide Education Property Tax Rate: These figures are used to determine part of the

forecasted revenues over the forecast impact period from the new demand from an applicant's proposed project. They are applied to the changes in consumption associated with an applicant's project to yield projected incremental tax revenues. These figures are obtained from the most recent fiscal year data available on total taxes received. These data are then applied to various REMI consumption items to complete the bridge between REMI economic output data and the state's fiscal cost-benefit concepts.

c. REMI Economic Output Page

In addition to being the recipient of the output of the REMI input/output model, there are several embedded REMI control variables which are updated as part of the annual model update. Consistent with previous year's updates, the equilibrium data from the REMI control is updated for the year of application. These variables include several consumption related variables such as overall consumption, general price indices, as well as specific price indices by consumption category.

d. Qualifying and Non-Qualifying Jobs & Wages Pages

As a result of the change in the model's base year from 2009 to 2010, the lookup function which finds the REMI input-output anticipated level of compensation by industry needed to be updated and tested to ensure accuracy accounting for the change in model years.

e. Present Value Calculations Page

This page calculates the present value of the total benefits and costs associated with a project. The updated present value discount rate was obtained from the Vermont Treasurer's Office for the state's most recent interest rate associated with the most recent sale of Vermont full-faith-and-credit General Obligation Bonds—which in this case was the 2009 General Obligation Bonds offering. The 2010 sale was still pending at the time the model was updated.

f. Background Growth Rate Lookup Page

As described above, a comprehensive evaluation of industry growth is performed by 3-digit NAICS code. Due to new information of the state of the United States business cycle as published by the National Bureau of Economic Research, it was determined by the VEGI Technical Working Group through a December 2009 email poll to maintain the same industry background growth rates as used in the 2009 model because the time period of study 1990-2007 represents two full business cycles. By using two full business cycles from trough to trough, the approach to calculating background growth by industry has been standardized and desensitized to intermediate and intermittent fluctuations in the economy attributable to

comparisons of data absent consideration of time and the nature of the business cycle.

#### **IV: Addition to the Model**

##### **a. Enhanced Present Value Calculations Page**

Per the request of the Vermont Economic Progress Council and consistent with statute, an additional calculation needed to be added to the VEGI model. Added as a stand-alone page, the 'subsection 5 enhanced' incentive amount is calculated resulting in a net neutral return to the state. The authority to consider an "enhanced" incentive amount is granted the VEPC board in 32 VSA §5930b(c)(5), but is only applicable to those applications proposing a project located in Labor Market Areas (LMAs) certified eligible by the Department of Labor. As of the date of this report, the only LMA which is excluded from a potential enhanced award amount is the Burlington-South Burlington LMA. The calculation is activated by a binary variable (as described above in section III a) based on the project location. The results of the calculation are presented in tabular form on this page as well as in a display box added at the bottom of the analysis report write up page.

Please feel free to call us at 878-0346 with any questions or comments about these updates. If Mat is not available, please feel free to speak with Jeff on these updates.



**STATE OF VERMONT**  
JOINT FISCAL OFFICE

January 15, 2010

Fred Kenney  
Executive Director  
Vermont Economic Progress Council  
Department of Economic, Housing and Community Development  
Agency of Commerce, National Life Building, 6th Floor  
Montpelier, VT

Dear Fred:

Consistent with 32 V.S.A. § 5930a. (h) which is reproduced below, the Legislative Joint Fiscal Committee authorized that the Joint Fiscal Office, through its agent Thomas Kavet, review any and all materials necessary for him to advise the legislative Emergency Board members and, as necessary other members of the Committee, in their deliberations prior to the January 22nd Emergency Board decision on increasing the 2010 Vermont Economic Growth Incentive cap.

The 9-0-0 decision reflects the importance that the Committee views this determination and the importance that the work be accomplished quickly. I trust you will work with Tom Kavet to facilitate this review in as timely a way as possible.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen Klein", with a long horizontal line extending to the right.

Stephen Klein, Chief Fiscal Officer  
For the Committee

cc Representative Michael Obuchowski, Chair, Joint Fiscal Committee  
Senator Ann, Cummings, Vice Chair, Joint Fiscal Committee  
Tom Kavet, Kavet, Rockler & Associates, LLC Economist



32 V.S.A. § 5930a

(h) 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 Title 1, 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 is disclosed in a form that cannot identify or be associated with a particular business.







**State of Vermont**  
**Agency of Administration**  
**Department of Finance & Management**  
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*Jim Reardon, Commissioner*

## MEMORANDUM

**TO:** Joint Fiscal Committee  
**FROM:** Jim Reardon, Commissioner of Finance & Management  
**DATE:** December 1, 2009  
**RE:** 2009 Spec Sess Act 2 Sec 10(b) – reduction in contract expenditures

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2009 Spec Sess Act 2 Sec 10(b) requires the Secretary of Administration to submit to the Joint Fiscal Committee by November 30, 2009 a plan of recommendation to achieve \$1.3 million general fund savings in contract or alternate budget reductions. We respectfully request leave to submit this plan as part of the FY 2010 Budget Adjustment, to be presented to the House Appropriation Committee on December 15, 2009.

Thank you for your consideration.

Emergency Board Minutes  
January 13, 2010, called for 1:00 p.m.

Pursuant to notice, the Emergency Board met in the Governor's Ceremonial Office in the State House, 115 State Street, Montpelier, Vermont on Wednesday, January 13, 2010 at 1:15 p.m.

Members present: Governor James H. Douglas, Chair; Senator Susan J. Bartlett, Senator Ann E. Cummings, Representative Michael J. Obuchowski and Representative Martha P. Heath.

The items on the agenda were as follows:

**Item 1: Allocation of the calendar year 2010 Private Activity Bond ceiling (32 VSA § 992(b)).**

After discussion, Representative Obuchowski made the following motion, seconded by Representative Heath:

Motion is made to allocate Vermont's private activity bond allocation of \$273,775,000 for calendar year 2010 as follows:

Vermont Housing Finance Agency	\$ 116,887,500
Vermont Student Assistance Corporation	\$ 116,887,500
Vermont Economic Development Authority	\$ 15,000,000
Vermont Municipal Bond Bank	\$ 5,000,000
Greater Upper Valley Solid Waste Management District	\$ 10,000,000
Contingency	\$ 10,000,000
	<hr/>
	\$ 273,775,000

It is further moved that the Emergency Board hereby delegate to the Governor the power and authority to assign or reallocate unused portions of the private activity bond ceiling as provided in 32 VSA § 992(b).

The motion was passed unanimously.

**Item 2: Vermont Economic Progress Council: Request to Exceed \$10 million in Employment Growth Incentives for Calendar Year 2010 (2006 Act 184 § 11(c)).**

After discussion, Representative Obuchowski made the following motion, seconded simultaneously by Senator Bartlett and Representative Heath:

Motion is made to delay consideration of Item 2 on today's Emergency Board meeting agenda until Friday, January 22, 2010 at 10:00 am. The

express purpose of this motion is to give the legislature time to inform itself of the proposal.

The motion was passed unanimously.

**Item 3: Presentation of the Administration's and Joint Fiscal Office's Revenue Estimates (32 VSA § 305a).**

Jeffrey B. Carr and Thomas Kavet presented their state revenue estimates, after which Representative Heath made the following motion, seconded by Senator Cummings:

Motion is made that the state revenue estimates pursuant to 32 VSA § 305a for FY 2010, FY 2011 and FY 2012 are as follows:

Major Funds	Fiscal 2010 Estimate (Millions)	Fiscal 2011 Estimate (Millions)	Fiscal 2012 Estimate (Millions)
General Fund	1,030.9	1,086.6	1,158.6
Transportation Fund	212.2	218.0	226.6
Education Fund	146.1	151.3	158.1
Gross Receipts Tax	7.1	7.5	7.8
Federal Funds – Appropriated	1,447.3	-----	-----
<u>Federal Funds – ARRA</u>	<u>172.6</u>		
Total Federal Funds	1,819.9		

After discussion, the motion was passed unanimously.

James Reardon, Commissioner of Finance and Management, and Stephanie Barrett, Associate Fiscal Officer with the Joint Fiscal Office, presented information regarding the Vermont Medicaid Program.

After discussion, Senator Bartlett made the following motion, seconded by Representative Obuchowski:

Motion is made that the Vermont Medicaid Program estimated caseloads and estimated per member per month expenditures for FY 2010 and FY 2011, and state revenue estimates for health care and Medicaid Funds pursuant to 32 VSA § 305a for FY 2010, FY 2011 and FY 2012 are as follows:

## VERMONT MEDICAID PROGRAM

### A. Projected Enrollment and Per Member Per Month Expenditures

Eligibility Category <sup>1</sup>	Enrollment		PMPM Expenditures	
	SFY 10 Projected	SFY 11 Projected	SFY 10 Projected	SFY 11 Projected
ABD-Adults	13,184	13,866	\$1,381.70	\$1,405.98
ABD-Dual	15,111	15,536	\$619.54	\$629.24
ABD-Children	3,680	3,771	\$1,719.60	\$1,741.97
ANFC-Adults	10,297	10,786	\$480.88	\$513.31
ANFC-Children	53,863	55,631	\$293.99	\$301.30
VHAP (Global Expenditures)	32,429	36,862	\$339.28	\$369.12
VHAP ESI	1,195	1,564	\$166.61	\$223.08
SCHIP	3,721	3,966	\$169.66	\$177.60
Underinsured Children (Optional Expenditures)	1,248	1,282	\$149.47	\$150.57
Catamount	9,081	11,862	\$406.79	\$448.13
Catamount ESI	710	930	\$146.50	\$177.20
All Pharmacy Only Programs <sup>2</sup>	12,659	12,580	\$9.21	\$39.28
<b>Total</b>	<b>157,178</b>	<b>168,636</b>	<b>\$449.35</b>	<b>\$468.26</b>
LTC-Choices For Care Waiver	4,010	4,010	<b>Projected Expenditures</b>	
LTC - Nursing Home, HCBS, and Residential Care			\$172,476,743	\$178,782,681
LTC - Acute Care			\$23,882,533	\$26,913,872
Disproportionate Share Hospital (DSH)			\$37,448,781	\$38,484,195
Buy-In <sup>3</sup>			\$34,036,003	\$36,355,517
Clawback			\$23,113,134	\$24,414,748

### B. Health Care and Medicaid Revenues, Estimates in Millions

	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
Catamount Fund	21.3	21.8	22.9
State Health Care Resources Fund	155.1	161.9	165.7
Global Commitment Fund <sup>4</sup>	1,013.8	1,024.2	1,075.6

The motion was passed unanimously.

<sup>1</sup> Excludes Federal Only Ladies First Program (approximately 3,000 people).

<sup>2</sup> Includes both Global Commitment and State Only spending. FY10 reflects retro rebate impact.

<sup>3</sup> Buy-In includes Global Commitment, Choices for Care, State Only spending, and Federal Only spending.

<sup>4</sup> GCF revenue is dependent on appropriations made by the legislature to pay GCF premium. FY10 reflects budget adjustment proposal. FY11 and FY12 assumes level GF/GF-like availability although total steady state funding need is higher and level GF is unlikely given projected GF budget gap.

Due to the relative stability of the last two revenue forecasts, Governor Douglas suggested that the Emergency Board could return to its regular semi-annual meeting schedule. The next consensus revenue forecast meeting will be held in July unless circumstances warrant an earlier meeting. Members of the board will remain in frequent contact in order to remain informed about the need for such a meeting.

A motion was made to adjourn by Representative Heath, seconded by Senator Cummings. The motion was passed unanimously.

The meeting adjourned at 2:00 p.m.

A true record,

ATTEST:



David M. Coriell  
Secretary of Civil and Military Affairs

/cbm

01/13/10

c: Board Members  
State Treasurer  
State Auditor of Accounts  
Other interested parties