

Agency of Commerce and Community Development

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To: Joint Fiscal Committee

From: Abbie Sherman, Executive Director, Vermont Economic Progress Council

Date: September 13, 2022

Subject: Request to Exceed \$1 Million Cap on Vermont Employment Growth Incentive Enhancements for Qualifying Labor Market Areas for Calendar Year 2022 (32 V.S.A. § 3334)

The Vermont Economic Progress Council (VEPC) is providing this memo in support of the Governor's request to the Joint Fiscal Committee to increase the cap of the Labor Market Area (LMA) Enhancement cap for Calendar Year 2022 by \$500,000.

VEPC is responsible for the application and authorization process for the Vermont Employment Growth Incentive (VEGI) program. 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 or 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 for final applications by counting the difference between the normal incentive amount and the enhanced incentive amount against the cap.

32 V.S.A. 3334, as amended, provides the process for requesting an increase in the cap:

(c) The Council may increase the cap imposed in subdivision (b)(2) of this section by not more than \$500,000.00 upon application by the Governor to, and approval of, the Joint Fiscal Committee.

(d) In evaluating the Governor's request, the Committee shall consider the economic and fiscal condition of the State, including recent revenue forecasts and budget projections.

(e) The Council shall provide the Committee with testimony, documentation, company-specific data, and any other information the Committee requests to demonstrate that increasing the cap will create an opportunity for return on investment to the State.

As it may pertain to review of the request by the Joint Fiscal Committee, 32 V.S.A. 3341, as amended, describes the confidentiality of proprietary business information (emphasis added):

(a) The Vermont Economic Progress Council and the Department of Taxes shall use measures to protect proprietary financial information, including reporting information in an aggregate form.

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(b) 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 that would identify a business except in accordance with a judicial order or as otherwise specifically provided by law.

(c) Nothing in this section 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.

Details:

VEPC has granted initial approvals to 4 applications to date for projects that commence in calendar year 2022, 2 of which use the LMA enhancement authority. The projected economic activity of each application can change when applications are finalized. Staff estimates that when all applications receive final approval at the rates approved for use of the LMA enhancement, the increase could exceed the \$1 million cap by about \$160,473. However, the final applications for these 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, or if an additional company applies to use the funds. VEPC staff is aware of at least one additional company located in an economically distressed LMA that could benefit from the enhancement, assuming all criteria are met.

The applications that have initial approval with the LMA enhancement are expected to create 121 full-time jobs – all outside Chittenden County.

Company	Status	Location	VEGI	With LMA	Against Cap
Ivy Computer	Initial	Waterbury	\$1,578,529	\$2,578,529	\$1,000,000
Simon Pearce	Initial	Windsor	\$113,352	\$273,825	\$160,473
			\$1,691,881	\$2,852,354	\$1,160,473

Ivy Computer, founded in 1986 in Ohio, moved to Vermont in 1992 and is located in Waterbury. The company manufactures, supports and sells software providing efficient routing, accounting and operations of thousands of waste companies mainly in the U.S., Canada, Australia, and New Zealand. Their principle current product is Trash Flow, which is software for the waste hauling industry. Trash Flow is one of the most popular software packages in the waste hauling industry with over 1000 installations. Following approval of their initial VEGI Application in December 2021, this article was printed in the Waterbury Roundabout regarding the company’s expansion project: [“Ivy Computer - one of Vermont’s ‘Best Places to work’ - looks to expand.”](#)

Simon Pearce, founded in Quechee, Vermont in 1982, has workshop and factory store locations in Quechee and Windsor, Vermont and Oakland, Maryland. In addition, they have store locations in Burlington, Vermont, as well as Maryland, Virginia, Pennsylvania, Massachusetts, New Hampshire, Maine, and Connecticut. The approval of their initial VEGI Application in June 2022 is for an expansion project at their Windsor facility, which opened in 1993. More information on Simon Pearce can be found here: [The Story of Simon Pearce.](#)

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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.



DRAFT MOTION
JOINT FISCAL COMMITTEE [September 21, 2022]

VERMONT ECONOMIC PROGRESS COUNCIL REQUEST TO EXCEED AN AGGREGATE \$1 MILLION IN EMPLOYMENT GROWTH INCENTIVES ENHANCEMENTS FOR ACTIVITY IN QUALIFYING LABOR MARKET AREAS FOR CALENDAR YEAR 2022

In accordance with 32 V.S.A. § 3334, the Joint Fiscal Committee hereby authorizes the Vermont Economic Progress Council to exceed the \$1 million cap on final authorizations for Vermont employment growth incentive enhancements for qualifying labor market areas for calendar year 2022 by an additional \$500,000.