VII.

VERMONT

Vermont Employment Growth Incentive Program

Annual Report
2010

VERMONT ECONOMIC PROGRESS COUNCIL

VERMONT DEPARTMENT OF TAXES

VEGI Program Summary

ACTUAL ECONOMIC IMPACT
(January 1, 2007 - December 31, 2008)

New Qualifying Jobs Created	371
New Qualifying Payroll Created	$14,153,705
New Qualifying Capital Investments	$30,235,941
Net Incentive Installments Paid	$129,854
Estimated Net Revenue Benefit	$1,839,095

APPLICATION VOLUME
(January 1, 2007—December 31, 2009)

	# of Applications	Incentive Value
Applications Considered	41	$22,314,643
Applications Denied	3	$ 620,708
Applications Rescinded/Revoked	11	$ 5,656,430
Net Approved-Active Applications	27	$16,037,505

In January 2007, the Vermont Employment Growth Incentive (VEGI) program began offering new incentives for business recruitment, growth and expansion. The VEGI program provides a cash payment, based on new job and payroll creation, to companies that have been authorized to earn the incentive. Authorization occurs through application to the Vermont Economic Progress Council (VEPC), a citizen board that reviews the applications based on three criteria:

- Whether the economic activity would not occur or would occur in a significantly different and/or less desirable manner without the incentive (But For);
- If the economic activity will generate more new revenue for the state than is foregone through the incentive (cost-benefit modeling); and
- If the company and economic activity are consistent with a set of nine guidelines.

VEGI incentives are earned over a period of up to five years and paid out over a period of up to nine years. The incentives are earned only if payroll, employment, and capital investment targets are met each earning year. If the company earns the incentive, it is then paid out in five annual installments, if the new jobs and payroll are maintained. Claims for VEGI incentive installments are examined annually by the Vermont Department of Taxes.

This report presents the applications considered and the incentives authorized from the start of the program on January 1, 2007 through December 31, 2009. It includes all the actual economic activity that occurred during 2007 and 2008 as reported on claims filed and examined by the Tax Department in 2008 and 2009 (for activity in 2007 and 2008), and the incentives and installments paid in 2008 and 2009 for the economic activity that met targets.

Table 1 provides a complete list of all applications considered in 2007—2009 and the status as of December 31, 2009. Information on the projected annual economic and fiscal impact is presented in Table 2 and the projected and actual impacts are summarized in Table 3 and detailed for each year in Tables 4 and 5. The data presented on Tables 1 and 2 is updated monthly and is always available on the VEGI website. Charts 6-14 are included to provide further detail and perspective on the data represented by the 27 approved and active applications.

Further information on VEPC and the Vermont Employment Growth Incentive Program is available at: http://economicdevelopment.vermont.gov/Programs/VEPC/tabid/124/Default.aspx. Further information on the Department of Taxes is available at: www.state.vt.us/tax.

Vermont Statute (32 VSA §5930(b)(e)) requires the following elements of the program to be reported annually. The table in which each requirement is addressed is noted below:

1. Total authorized amount of incentives during preceding year (Table 2)
2. Amounts actually earned and paid out from inception to date of report (Tables 3, 4, 5)
3. Date and amount of authorization (Table 1)
4. Expected calendar year or years in which the authorization will be exercised (Table 1)
5. Whether the authorization is currently available (Table 1)
6. Amount and date of all incentives exercised (Tables 3, 4, 5)
7. Recipient performance in the year in which the incentives were applied (Tables 3, 4, 5)
8. Number of applications for incentives (Table 2)
9. Number of approved applicants who complied with ALL their requirements for the incentive (Not Included[1])
10. Aggregate number of jobs created (Tables 3, 4, 5)
11. Aggregate payroll (Tables 3, 4, 5)
12. Date the authorization will expire (Table 1)
13. Identity of the business whose applications were approved (Table 1)

Application Activity

Table 1 shows every application that has been considered by the Vermont Economic Progress Council (VEPC) since the inception of the Vermont Employment Growth Incentive (VEGI) program in January 2007. It includes the name of the applicant company, the date the application was considered, the authorization (or earning) period, the current status of the incentives and an explanation of the status, the maximum level of incentives considered, the estimated minimum net revenue benefit to the State of Vermont, the location of the project, and the type of economic development project.

The date listed for when applications are considered is the date a Final Application was considered if the company filed both an Initial and Final Application. If a Final Application has not yet been filed, the applicant's status is listed as "Active-Initial." Incentives are not considered authorized until a Final Application has been approved. However, the amount of incentives listed when an application has received Initial Approval is booked against that year's cap.

An application is considered "Rescinded" if, after Initial or Final approval, the Council takes action to rescind the company's authorization to earn any incentives. This action is taken only if no incentives have been earned or paid out. Authorizations are rescinded for many reasons, including when a project does not occur or when the company fails to file an annual VEGI claim by the statutory filing date of February 28. Authorizations are "Revoked" if the company has earned and/or been paid some of the incentives and something occurs that causes the incentives to be terminated. If the company is terminated but there is no recapture required the status is listed as "Revoked." If a recapture of incentives is required, the status is listed as "Revoked-Recapture." The recapture is carried out by the Department of Taxes and the level of recapture is included in this report in the aggregate (See Tables 3, 4, and 5).

The maximum incentive amount considered is the maximum level of incentives the company could possibly earn if the project occurs. If the project status indicates a rescission or revocation, the maximum incentive amount is listed only for reference in this report but the incentive is no longer available to the company.

Table 2 summarizes the application volume, application status, the total incentives considered and authorized, the annual level of incentives compared to the annual cap for each calendar year, and the direct and indirect fiscal and economic impact estimated by the VEGI cost-benefit model.

VEPC has considered 66 applications since the inception of the VEGI program in January 2007, an average of 22 per year. The 41 applications summarized in this report are the Final Applications submitted and considered by each company. Statute allows a company to file an Initial Application followed later by a Final Application. Both are formal applications considered and either approved or denied by VEPC. A company may file a Final Application without filing an Initial Application.

As of December 31, 2009, of the 41 Final Applications, 27(66%) are active, 10 (24%) have been rescinded, one has been revoked (2%), and 3 (7%) were denied. The one revocation was due to a plant closure. The company did earn and was paid two incentive installments. The Tax Department has billed the company for the recapture of those incentives. This closure and most of the rescinded authorizations, which are due primarily to projects not going forward, occurred because of the economic downturn. It should not be surprising that these project delays or cancellations are occurring during the worst economic downturn in decades. More project delays and cancellations, and companies not meeting targets on schedule should be expected until there is a turnaround in the economy.

In 2007, Governor Douglas proposed, and the General Assembly approved, an enhancement to the VEGI program for companies that will create jobs in certain the environmental technology sectors. Since its passage, seven applications have been considered for the "Green VEGI" enhancement, four of which remain active. These companies plan to employ over 340 Vermonters to design, research, develop, and produce wind turbines, capacitors for electric vehicles, energy efficient transformers, and innovative water treatment technologies.

As the summary data in Table 2 show, the net (not including denied and rescinded/revoked) incentives authorized through December 2009 total just over $16 million. These incentives will be earned by 26 companies for 27 projects between 2007 and 2013 ***only if*** payroll, employment and capital investment targets are met.

As Table 2 indicates, the projects that have been approved through December 2009 are projected to create ***1,885 new, direct, qualifying jobs*** (full-time, permanent, paying over 160% of Vermont minimum wage), over ***$84 million in new qualifying payroll*** (above and beyond "background growth" payroll), and ***over $137 million in capital investments*** in machinery and equipment and building construction and renovation. The new jobs to be created are projected to have a weighted average wage of $44,960 and ***average total compensation of $54,984*** (including benefits). This economic activity, scheduled to occur between 2007 and 2013, is the basis for the incentives calculated and the incremental revenue projected to be generated.

The incentives will be paid out between 2008 and 2019 only if targets are mat and maintained. The revenue to pay these incentives comes from the new revenue these companies generate to the state when the economic activity summarized in Table 2 and detailed in Table 3 occurs. Each company was approved only because a determination was made that the activity would not occur, or would occur in a materially different and less desirable manner, if the incentive was not authorized (But For). Therefore, the revenue to pay the incentive payments to the companies are generated by those companies and are revenues that would never have occurred, except for the incentive being approved.

In addition to the But For criteria, application consideration includes an extensive and detailed modeling of the economic and fiscal (revenue) benefits and costs to the State of Vermont. Net new revenues are generated primarily from payroll withholding taxes. But new revenues are also generated from new personal and corporate income taxes, sales and use taxes on machinery and equipment and building materials, transportation fees, property taxes, and other fees and taxes paid by the company, employees, contractors and their employees, and other companies involved in the project. The model also accounts for economic and fiscal costs to the State such as the costs of new students attending school and other additional services that will be required.

As Table 2 summarizes, the projects that have been approved will generate estimated new revenues to the State totaling $43.3 million, and the revenue costs, including the incentive payments will be about $31 million. In addition to the new jobs, payroll and capital investments, the State of Vermont will realize net new revenues totaling ***$12.4 million***.

Note that the estimates included in this report cover only the five-year earning period (revenue benefits, job creation, payroll generation, capital investments) and the nine year incentive payment period (revenue costs, incentive costs) that are included in the cost-benefit model. New revenues will continue to be generated to the State after this modeling period and jobs may continue to be created that are not accounted for in the modeling.

Table 2 also includes summary data on related and indirect economic activity that is projected to occur because of the incentives. The VEGI program is not a job retention program. However, the expansion projects approved will mean that ***at least 2,254 existing jobs will be retained***. The projects will also create almost 70 non-qualifying full-time jobs (pay below 160% of Vermont minimum wage) and ***over 2,000 indirect jobs*** throughout the state.

The projects will also generate almost $24 million in new payroll that is considered "background" or "organic" growth payroll. The calculation of the incentive for ***all*** applications includes the discounting of a certain level of the new payroll that will be generated. This is considered background growth payroll or payroll that would have occurred anyway. This is done even for applications from new or start-up companies and companies that are being recruited to Vermont, neither of which ever had payroll in Vermont before the application date. The projects approved will create $24 million in new payroll because of the incentive that will not be counted in the incentive calculation because it is considered "background growth."

In addition to the But For and cost-benefit criteria for approval, applications are also considered against a set of nine program guidelines. One of the guidelines (Guideline 7) involves the interaction of the applicant with other Vermont companies in customer, supplier, and vendor relationships. The greater these interactions, the more indirect economic impact the incentives will have. Table 2 shows that the expected business-to-business relationships of applicants is estimated at over $100 million each year.

Also summarized in **Table 2** is the average level of employee health care costs that are paid by the VEGI applicant employers, at 71%. Further detail on this and other data related to the Program Guidelines are contained in Charts 6-14.

TABLE 1: INCENTIVE APPLICATIONS CONSIDERED, AND STATUS, THROUGH DECEMBER 31, 2009

Company Name (** Indicates "Green VEGI" application)[2]	Date Application Considered	Authorization (Earning) Period	Status[3]	Explanation	Maximum Incentive Considered	Minimum Net Revenue Benefit	Location	Type of Project
Ink Jet Machinery of Vermont	25-Jan-07	n/a	Rescinded Jan 24, 2008	Project did not proceed as planned	$ 336,055	$ -	Dorset	Startup
Olympic Precision, Inc/WIC/Town of Windsor	25-Jan-07	n/a	Rescinded Sept 6, 2007	Material change to project - Did not met But For	$ 474,428	$ -	Windsor	Recruitment
Monahan SFI, LLC	15-Feb-07	n/a	Revoked-Recap Sept 28, 2009	Plant closed. Incentives in recapture.	$ 791,277	$ -	Middlebury	Plant Restart
Qimonda North America Corp.	15-Feb-07	n/a	Rescinded Mar 27, 2008	Project did not occur; Consolidated out-of-state	$ 229,672	$ -	So. Burl	Ret./Expansion
Rehab Gym, Inc.	22-Mar-07	n/a	Denied	Did not meet But For and Guidelines	$ 255,439	$ -	Colchester	Ret./Expansion
Applejack Art Partners	3-May-07	n/a	Rescinded Oct 25, 2007	Project did not occur	$ 85,539	$ -	Manchester	Recruitment
Omni Measurement Systems	3-May-07	2007 - 2011	Active - Final		$ 677,944	$ 324,549	Milton	Ret./Expansion
Vermont Timber Frames	3-May-07	2007 - 2011	Active - Final		$ 156,126	$ 70,611	Bennington	Recruitment
Battenkill Technologies, Inc.	28-Jun-07	n/a	Rescinded Jun 26, 2008	Failed to file claim	$ 79,054	$ -	Manchester	Recruitment
Burton Corporation	28-Jun-07	2007 - 2011	Active - Final		$ 1,653,965	$ 2,212,917	Burlington	Ret./Expansion
Energizer Battery Manufacturing, Inc.	26-Jul-07	n/a	Rescinded May 28, 2009	Project did not occur	$ 607,347	$ -	St Albans	Ret./Expansion
NEHP, Inc.	25-Oct-07	2007 - 2011	Active - Final		$ 182,396	$ 94,388	Williston	Ret./Expansion
Green Mountain Coffee Roasters	25-Oct-07	2007 - 2011	Active - Final		$ 1,786,828	$ 2,129,672	Waterbury/Essex	Ret./Expansion
Know Your Source, LLC	6-Dec-07	n/a	Denied	Did not meet But For and Guidelines	$ 71,302	$ -	Burlington	Start-up
Mascoma Corporation**	25-Oct-07	n/a	Rescinded Jun 26, 2008	No final application filed; Project did not occur	$ 1,942,989	$ -	WRJ	Recruitment
CNC North, Inc.	6-Mar-08	2008-2012	Active - Final		$ 70,533	$ 29,542	Springfield	Ret./Expansion
Vermont College of Fine Arts	27-Mar-08	2008-2012	Active- Final		$ 206,737	$ 126,260	Montpelier	Start-up
Isovolta, Inc.	26-Jun-08	n/a	Rescinded May 28, 2009	Project did not occur	$ 568,330	$ -	Rutland	Ret./Expansion
Vermont Castings Holding Company**	18-Sep-08	n/a	Rescinded May 28, 2009	Failed to file claim	$ 488,000	$ -	Bethel	Ret./Expansion
New England Precision, Inc./Clifford Properties, Inc.	18-Sep-08	2008-2012	Active - Final		$ 241,236	$ 350,926	Randolph	Ret./Expansion
Utility Risk Management Corp	23-Oct-08	2008-2012	Active- Final		$ 377,371	$ 185,973	Stowe	Recruitment
Helix Global Solutions, Inc.	4-Dec-08	n/a	Rescinded Dec 4, 2008	No final application filed; Project did not occur	$ 53,739	$ -	Burlington Area	Recruitment
Vermont Wood Energy Corp**	4-Dec-08	n/a	Denied	Did not meet But For and Guidelines	$ 293,967	$ -	Rutland	Start-up
Tata's Natural Alchemy	4-Dec-08	2008-2012	Active - Final		$ 231,531	$ 96,498	Whiting/Shoreham	Start-up
BioTek Instruments, Inc./Lionheart Technologies, Inc.	4-Dec-08	2009-2013	Active - Final		$ 692,854	$ 1,059,543	Winooski	Ret./Expansion
Dominion Diagnostics, LLC	22-Jan-09	2009-2010	Active - Final		$ 103,300	$ 52,239	Williston	Recruitment
Albany College of Pharmacy	22-Jan-09	2009-2013	Active - Final		$ 630,859	$ 345,716	Colchester	Recruitment
ASK-intTag, LLC	26-Mar-09	2009-2013	Active - Final		$ 553,722	$ 263,998	Essex	Recruitment/SU
Vermont Transformers, Inc.**	26-Mar-09	2009-2013	Active - Final		$ 267,569	$ 55,910	St. Albans	Recruitment
Project Graphics, Inc.	30-Apr-09	2009-2013	Active - Final		$ 230,414	$ 112,162	So. Burlington	Recruitment
Durasol Awnings, Inc.	28-May-09	2009-2013	Active - Final		$ 245,795	$ 125,920	Middlebury	Ret./Expansion
Commonwealth Yogurt, Inc.	25-Jun-09	2009-2013	Active - Final		$ 1,201,154	$ 614,505	Brattleboro	Recruitment/SU
AirBoss Defense USA, Inc.	24-Sep-09	2009 -2013	Active - Final		$ 243,280	$ 116,725	Milton	Recruitment
MyWebGrocer, Inc	22-Oct-09	2010-2014	Active - Final		$ 453,475	$ 286,567	Colchester	Ret./Expansion
Maple Mountain Woodworks. LLC	17-Dec-09	2009-2012	Active - Final		$ 143,436	$ 59,857	Richford	Start-up
Terry Precision Bicycles for Women, Inc.	17-Dec-09	2009-2011	Active - Final		$ 126,296	$ 53,440	Burlington	Recruitment
Northern Power Systems, Inc. **	17-Dec-09	2009-2013	Active - Final		$ 808,104	$ 235,796	Barre	Ret./Expansion
Green Mountain Coffee Roasters, Inc.	17-Dec-09	2009-2011	Active - Final		$ 292,307	$ 1,736,611	Chittenden County	Ret./Expansion
SBE, Inc. **	17-Dec-09	2010-2014	Active - Final		$ 3,048,671	$ 817,673	Barre	Ret./Expansion
Seldon Technologies, Inc. **	17-Dec-09	2010-2014	Active - Final		$ 478,396	$ 136,972	Windsor	Ret./Expansion
Revision Eyewear, Ltd.	17-Dec-09	2010-2012	Active- Initial		$ 933,206	$ 724,515	Essex	Ret./Expansion

TABLE 2: INCENTIVE AUTHORIZATION DATA SUMMARY FOR APPLICATIONS CONSIDERED AND STATUS. THROUGH DECEMBER 31, 2009

Application Count	Total Considered	Approved - Active[4]	Rescinded/ Revoked[5]	Denied
Total Applications Considered:	**41**	**27**	**11**	**3**
Percent of Total Applications		66%	27%	7%
Regular VEGI Applications:	34	23	9	2
"Green VEGI" Applications[6] :	7	4	2	1

Authorization Summary:		
Total Incentives Considered To Date:	$	22,314,643
Total Incenitves Denied To Date:	$	620,708
Total Incentives Rescinded/Revoked to Date:	$	5,656,430
Net Incentives Authorized to Date:	**$**	**16,037,505**
Authorizations, by Year/Cap Balances[7]:		
2007 Authorizations:	$	4,457,259
2007 Cap Balance:	$	5,542,741
2008 Authorizations:	$	1,127,408
2008 Cap Balance:	$	8,872,592
2009 Authorizations:	$	5,539,090
2009 Cap Balance:	$	4,460,910
2010 Authorizations:	$	4,913,748
2010 Cap Balance:	$	5,086,252
Direct Estimated Fiscal Impact[8]		
Total Revenue Benefits to the State:	$	43,395,322
Total Revenue Costs to the State, Including Incentive	$	30,975,838
Net Fiscal Return to the State:	**$**	**12,419,484**

Direct Estimated Economic Impact:	
New Qualifying FT Jobs Projected:	1,885
New Qualifying FT Payroll Projected:	$ 84,024,096
Weighted Average Wage of New Qualifying Jobs:	$ 44,960
Average Total Compensation for New Qualifying Jobs	$ 54,984
New Qualified Capital Investment Projected:	$ 137,131,025
Related Estimated Economic Activity:	
Retained Full-time Jobs[9]:	2,254
Full-time Non-Qualifying Job Creation[10]:	68
Indirect Job Creation[11]:	2,034
Total Full-time Job Creation:	3,987
New Payroll Considered Background Growth[12]:	$ 23,891,192
Average Health Care Premium Paid by Employer[13]:	71%
Approximate Value of VT Biz-to-Biz Interactions[14]:	$ 101,774,415

Table 3 provides annual detail of the projected economic activity summarized in **Table 2**. Table 3 also shows the annual summary of "actuals" data compared to the annual projections. "Actuals" refer to the actual job creation, payroll generated, capital investments made, and incentives earned and paid each calendar year. Further details on "actuals" are included in **Tables 4 and 5**.

Table 4 summarizes, by calendar year, the number of claims filed, and the projected and actual job creation, payroll generation, capital investments made, incentives earned, incentive payments disbursed, and the net revenue benefit for the State.

Table 5 details the same information by "class" or "cohort." This data breaks down the actuals for each group of companies by their earning period. The earning period is the five-year period during which the economic activity will occur and incentives will be earned. For example, all companies whose projects occur from 2007–2011 are in the Class of 2007. VEGI claims must be filed by the last day of February each year for the economic activity that occurred during the previous calendar year. For example, claims for activity in 2009 were filed in February 2010 and will be examined by the Tax Department during 2010 and incentive payments, if earned, will be paid in late 2010. Therefore, there is a one year delay before the claim and actual activity data is available. This is why this report includes application data through December 2009, but actual earning and economic activity for only 2007 and 2008.

In 2007, seven claims were filed. The Vermont Department of Taxes determined that five of these companies met their targets and two did not. In 2008, ten claims were filed. Four companies met their targets and six did not. The projected and actual data included in **Table 5** are for the companies that both met and did not meet targets. Companies are not included if their incentives were rescinded or revoked in subsequent years, through December 2009. Data for companies that did not meet targets are included because a company is not removed from the program if they do not meet their targets by the due date (December 31 of each year). These companies created jobs, generated payroll, and made capital investments, but not to the extent that met targets. Note that no incentive is paid to such a company until the targets are met. This economic activity, however, must be counted and is included in the calculation of the actual net revenue benefit to the State. If a company never meets the required targets after 24 months, no incentive for that year is earned and any future incentives are rescinded, and the data for that company is removed.

Table 5 shows that the five companies with expected activity in 2007 created more jobs, generated more payroll, and invested more in capital investments than was projected. The incentives earned and the first installment reflects the success of this first year. However, the nine companies with expected activity in 2008 (both the second year of activity for the Class of 2007 and the first year for the Class of 2008) fell short in all categories (only four companies met targets) and the incentives earned and installments paid were far below expectations. Also, in 2008, one company closed. The impact of this is reflected in the data, including the level of incentive installments that are in recapture status. This closure, and the difficulty companies faced meeting targets in 2008 corresponds with the downturn in the economy.

Actual Economic Activity

The data in **Table 5** also indicates how the structure of the VEGI program protects the state. In the first two years of the program, the total economic activity is below what was projected. Companies in the program created 371 new qualifying jobs (compared to 475 projected) and generated about $14 million in new qualifying payroll (compared to $17 million projected), and made $30.2 million in capital investments (compared to $37 million projected). However, the gross level of incentives paid were about $395,000 (compared to $818,000 projected). After subtracting the incentive installments that are in recapture ($265,226), the net incentive installments paid out totals about $130,000. This is the total incentive installments paid in 2008 and 2009 for the activity that met targets in 2007 and 2008.

Because absolute targets must be met before incentives are paid, the net revenue benefit to the State is greater than projected because a certain level of projected activity is occurring, even though targets are not met, but no incentive is paid until the targets are met. The state gets the benefit of the job creation, payroll generation, and capital investment, but no incentives are paid until and unless the targets are met. The net revenue benefit for economic activity and incentive payments through December 2008 was projected to be about $866,000. The economic activity that has actually occurred, and the incentives installments paid was re-modeled using the same cost-benefit model used for the application approval process. The model estimates a **net revenue benefit to the State of** $1,839,095 for 2007 and 2008 only. The five-year estimate is $4,817,126 for just the activity that occurred in 2007 and 2008. This estimate assumes that the jobs created during 2007 and 2008 are maintained for the five-year modeling period and that the payroll levels attained by 2008 are escalated by an inflationary annual increase. Only the revenue impacts of the capital investments made during 2007 and 2008 are included in this estimate. It should be noted that the economic activity of the rescinded companies was not included in the modeling for the revenue impact, but those companies may have contributed jobs and investments during this period.

TABLE 3: ESTIMATED AND ACTUAL INCENTIVE IMPACT, BY YEAR, FOR AUTHORIZATIONS THROUGH DECEMBER 31, 2009

COST-BENEFIT ESTIMATE (Present Value $)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
Estimated New Revenues to State:		$ 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
Estimated Costs to State Other Than Incentive Payments:		$ 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
Estimated Annual Incentive Payments:		$ 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
Estimated Net New Revenues to State Because of Incentives:		$ 162,899	$ 703,248	$ 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
Actual Net New Revenues to the State (Nom: 2007 and 2008 Activity only):		$ 504,102	$1,334,993	$1,207,468	$958,568	$712,645	$99,350							

INCENTIVE EARNING SCHEDULE ESTIMATE	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	TOTAL
Maximum Incentives Possible to Earn (Nominal $):	$ 886,781	$ 2,316,165	$ 2,404,648	$ 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 (Nom. $)	$ 771,548	$ 2,025,214	$ 2,127,852	$ 3,360,763	$ 2,407,104	$ 1,936,570	$ 1,030,861	$ 700,839						$ 14,360,770
Actual Incentives Earned:	$ 869,330	$ 373,122												

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 $):		$ 177,356	$ 640,589	$ 1,121,519	$ 1,852,397	$ 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 $):		$ 62,123	$ 349,637	$ 844,723	$ 1,518,777	$ 2,112,880	$ 2,443,852	$ 2,329,704	$ 2,017,421	$ 1,345,104	$ 805,949	$ 376,721	$ 153,880	$ 14,360,770
Actual Incentives Paid Out		$ 208,653	$ 186,427											
Less: Recapture Amount		$ 132,712	$ 132,613											
Less: Incentives Used to Offset Tax Liability		$ 54,898	$ -											
Net Incentives Paid		$ 21,142	$ 53,814											

ECONOMIC ACTIVITY PROJECTED AND ACTUAL	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	TOTAL
Estimated New Qualifying Jobs to be Created	142	333	293	388	341	240	89	59						27-Feb-05
Estimated New Qualifying Payroll to be Created	$ 4,916,028	$ 12,061,247	$ 14,383,365	$ 18,274,729	$ 16,426,175	$ 10,927,121	$ 4,805,359	$ 2,230,072						$ 84,024,096
Estimated 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
Actual New Qualifying Jobs Created	145	226												
Actual New Qualifying Payroll Created	$ 5,630,562	$ 8,523,143												
Actual New Qualifying Capital Investments Made	$ 17,688,856	$ 12,547,085												

AUTHORIZED INCENTIVES AGAINST ANNUAL GROSS (	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	TOTAL
Gross Cap	$ 10,000,000	$ 10,000,000	$ 10,000,000	$ 10,000,000	$ 10,000,000	$ 10,000,000	$ 10,000,000	$ 10,000,000	$ 10,000,000	$ 10,000,000	$ 10,000,000	$ 10,000,000	$ 10,000,000	
Maximum Incentives Possible (Nominal Dollars)	$ 4,457,260	$ 1,127,405	$ 5,539,093	$ 4,913,747										$ 16,037,505
Gross Cap Balance	$ 5,542,740	$ 8,872,595	$ 4,460,907	$ 5,086,253										

AUTHORIZED INCENTIVES AGAINST ANNUAL NET NE(	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	TOTAL
Net Negative Cap	$ 1,000,000	$ 1,000,000	$ 1,000,000	$ 1,000,000	$ 1,000,000	$ 1,000,000	$ 1,000,000	$ 1,000,000	$ 1,000,000	$ 1,000,000	$ 1,000,000	$ 1,000,000	$ 1,000,000	
Incentives Approved Against Net negative Cap	$ -	$ -	$ -	$ -										$ -
Net Negative Cap Balance	$ 1,000,000	$ 1,000,000	$ 1,000,000	$ 1,000,000										

TABLE 4: PROJECTED AND ACTUAL ACTIVITY - SUMMARY				
YEAR	2007	2008	2009	TOTALS
Claim Activity:				
Claims Expected:	9	14		
Claims Filed:	7	10		
Met Targets:	5	4		
Did Not Meet Targets:	2	6		
Revoked-recapture/Removed in Subsequent Year:	2	1		
Net Included in Projected and Actual Data:	5	9		
Projected Activity:				
New Qualifying Employees:	142	260		402
New Qualifying Payroll:	$ 4,916,028	$ 12,061,247		$ 16,977,275
New Qualifying Capital Investments:	$ 17,295,702	$ 19,692,891		$ 36,988,593
Est. Incentives to be Earned:	$ 886,781	$ 2,316,165		$ 3,202,946
Est. Incentive Installments to be Paid:		$ 177,356	$ 640,589	$ 817,945
Net Revenue Benefit:		$ 162,899	$ 703,246	$ 866,145
Actual Activity:				
New Qualifying Employees:	145	226		371
New Qualifying Payroll:	$ 5,630,562	$ 8,523,143		$ 14,153,705
New Qualifying Capital Investments:	$ 17,688,856	$ 12,547,085		$ 30,235,941
Incentives Earned:	$ 869,330	$ 373,122		$ 1,242,452
Incentive Installments Paid:		$ 208,653	$ 186,427	$ 395,080
Less: In Recapture Status:		$ 132,613	$ 132,613	$ 265,226
Less: Used to Offset Tax Liability:		$ 54,898	$ -	$ 54,898
Net Incentives Paid to Companies:		$ 21,142	$ 53,814	$ 74,956
Net Revenue Benefit (2007 and 2008 only):		**$ 504,102**	**$ 1,334,993**	**$ 1,839,095**

TABLE 5: PROJECTED AND ACTUAL ACTIVITY - BY CLASS

YEAR:	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
CLASS OF 2007: (Incentives earned between 2007 and 2011 and paid out between 2008 and 2016)														
YEAR:	1	2	3	4	5	6	7	8	9	10				
Claim Activity:														
Claims Expected:	9	7												
Claims Filed:	7	6												
Met Targets:	5	2												
Did Not Meet Targets:	2	4												
Revoked-recapture/Removed in Subsequent Year	2	1												
Net Included in Projected and Actual Data	5	5												
Projected Activity:														
New Qualifying Employees:	142	219												
New Qualifying Payroll:	$ 4,916,028	$ 9,872,410												
New Qualifying Capital Inv.:	$ 17,295,702	$ 17,986,270												
Est. Incentives to be Earned:	$ 886,781	$ 1,862,609												
Est. Incentive Installments to be Paid:		$ 177,356	$ 549,878											
Actual Activity:														
New Qualifying Employees:	145	187												
New Qualifying Payroll:	$ 5,630,562	$ 6,511,728												
New Qualifying Capital Inv.:	$ 17,688,856	$ 11,647,133												
Incentives Earned:	$ 821,856	$ 24,107												
Incentive Installments Paid:		$ 208,653	$ 152,938											
Less: In Recapture Status:		$ 132,613	$ 132,613											
Less: Used to Offset Tax Liability:		$ 54,898	$ -											
Net Incentives Paid to Companies:		$ 21,142	$ 20,325											
CLASS OF 2008: (Incentives earned between 2008 and 2012 and paid out between 2009 and 2017)														
YEAR:		1	2	3	4	5	6	7	8	9	10			
Claim Activity:														
Claims Expected:		7												
Claims Filed:		4												
Met Targets:		2												
Did Not Meet Targets:		2												
Revoked-recapture/Removed in Subsequent Year:		0												
Net Included in Projected and Actual Data:		4												
Projected Activity:														
New Qualifying Employees:		41												
New Qualifying Payroll:		$ 2,188,837												
New Qualifying Capital Inv.:		$ 1,706,621												
Est. Incentives to be Earned:		$ 453,556												
Est. Incentive Installments to be Paid:			$ 90,711											
Actual Activity:														
New Qualifying Employees:		39												
New Qualifying Payroll:		$ 2,011,415												
New Qualifying Capital Inv.:		$ 899,952												
Incentives Earned:		$ 349,015												
Incentive Installments Paid:			$ 33,489											
Less: In Recapture Status:			$ -											
Less: Used to Offset Tax Liability:			$ -											
Net Incentives Paid to Companies:			$ 33,489											

Supplemental Data: Active Applications

Charts 6 through 13 illustrate several interesting data points about the 27 active projects in the program. Note that the data presented in charts 6-14 is from ***only*** the 27 approved-active applications (not all applications ever considered). **Charts 6 through 8** cover issues related to the program guidelines. **Charts 9-11** show data that counters some assumptions that are often made about the program applicants and the projects that are approved. **Charts 12 and 13** are related to regional distribution of incentives.

Chart 6 shows the wage ranges of the 1,885 new, qualifying jobs to be created, in $10,000 increments. This data relates to Guideline 2, regarding wages and benefits. While the largest segment of jobs, at 37% of total, are in the $25,000 - $29,000 range, the chart shows that the majority of the jobs (63% of total) will pay wages well above the state average and more than half of the jobs will pay above $40,000 per year. Additionally, the companies project creating only 68 jobs that will pay wages at or below the VEGI Wage Threshold (160% of Vermont minimum wage; these jobs cannot be used to calculate the VEGI incentive). This data shows that the applicants to this program are creating very well-paying jobs, the majority of which far exceed the VEGI Wage Threshold. None of the applicants projected the creation of jobs at or even near the Vermont minimum wage.

Chart 7 shows the breakdown of jobs projected to be created by various job categories. Predictably, the largest category of jobs is production, at 50% of the total. Other jobs are about equally divided between management, IT, R&D, engineering, and administration/support.

Chart 8 illustrates one aspect of the fringe benefits that are and/or will be offered by the applicant companies (related to Guideline 2). The average benefits ratio (benefits as percentage of total compensation) for applicants is 22%. This means that the weighted average wage paid, $44,960, is supplemented by an average benefits package valued at $10,024 for a total compensation of $54,984. All approved applicant companies in the VEGI program pay some portion of employee health care costs. No companies offer less than 30% coverage by the employer. One company offers 33%. All other companies offer 50% or more coverage. The majority of the companies (70%) cover 61% or more of health care costs for their employees.

Chart 9 shows the size of the company, by number of full-time employees, at the time of application. As the chart illustrates, the majority of the applicant companies are small to medium size companies. In fact, 16 (or 59%) of the applicants had under 20 employees and 21 (78%) of the companies under 100 employees. Only two applicants had 500 or more employees at the time of application. Over 70% of the applicants are Vermont-based/owned companies. These are companies that were started by, and are owned by Vermonters and their families.

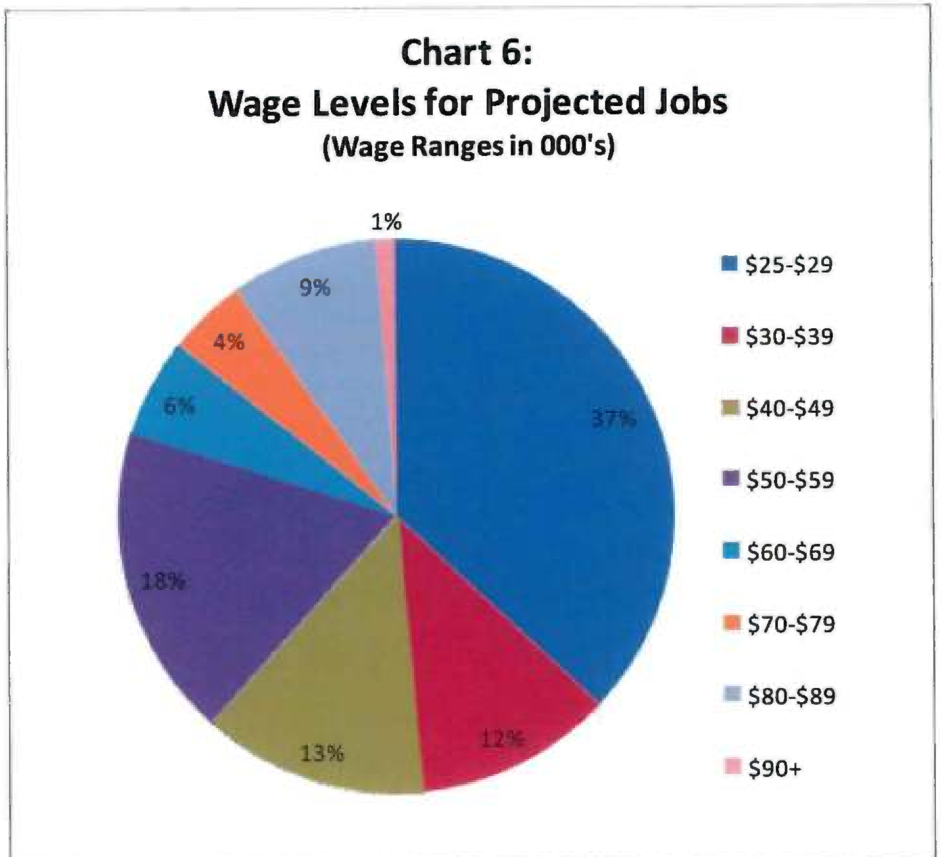
Chart 10 illustrates the types of economic development projects applying for incentives. It shows that over 50% of the projects are retaining and expanding Vermont companies. Another 11% are start-ups by Vermont entrepreneurs. This data, when viewed together with **Chart 9**, indicates that the VEGI program is providing incentives primarily for the creation or retention and expansion of small, Vermont companies and is not "helping large, out-of-state corporations" as has been stated by some critics. However, the program is also proving to be a very helpful tool to recruit companies to Vermont. Recruitments make up 37% of the active projects. These have been primarily expansions by small and medium size companies establishing a presence in Vermont (5 companies), many of which are Canadian companies seeking to break into the U.S. market. Two were start-ups that were considering several locations and three were total relocations of the company to Vermont.

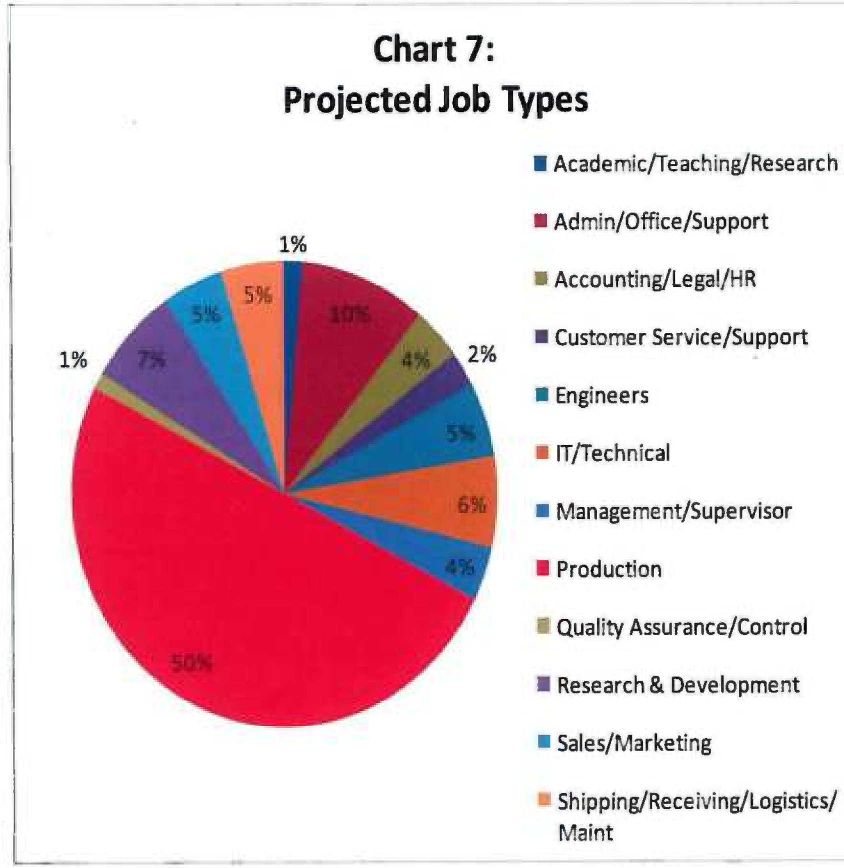
Chart 11 summarizes the type of facility expansions occurring because of the incentives. As the data shows, the program has been very successful in providing incentives for the acquisition and/or reuse of existing buildings in Vermont that are un- or under-utilized. This type of project represents 63% of the active projects. Another 19% did not involve any facility expansion and 7% will expand the facility they currently occupy. A total of 89% of the projects will ***not*** involve building new facilities. Most will involve substantial investment in renovations to facilities, having a very positive impact on local construction companies. Eleven percent (or 3) of the projects will involve new construction, but all of them will occur within existing industrial or commercial parks or within sites zoned for that purpose.

Charts 12 and 13 show the regional distribution of the incentives by the number of active-approved applications per region **(Chart 12)** and by incentive dollars per region **(Chart 13)**. There are active projects in every region of the state except the Northeast Kingdom and Rutland. The largest number of applications are from Chittenden County, which is expected as this is the economic engine of the state, the current location of most applicants, and the desired location for most companies recruited to Vermont. VEPC staff makes every effort to educate all regional economic development practitioners about the VEGI program. VEPC staff visits all regions regularly and VEGI informational seminars were conducted in every region at the start of the program. Additionally, in accordance with Program Guideline 1, applications from outside Chittenden County can be authorized for additional incentives. However, the Council and staff have no control over where existing Vermont companies (who represent the largest pool of applicants) are located, where new companies want to locate, or from which regions applications are submitted. Additionally, regional boundaries are meaningless to employment at a company. While most employees will come from the immediate area, many Vermonters cross county and regional borders for employment. The business-to-business relationships developed between companies within the state also occur regardless of regional boundaries.

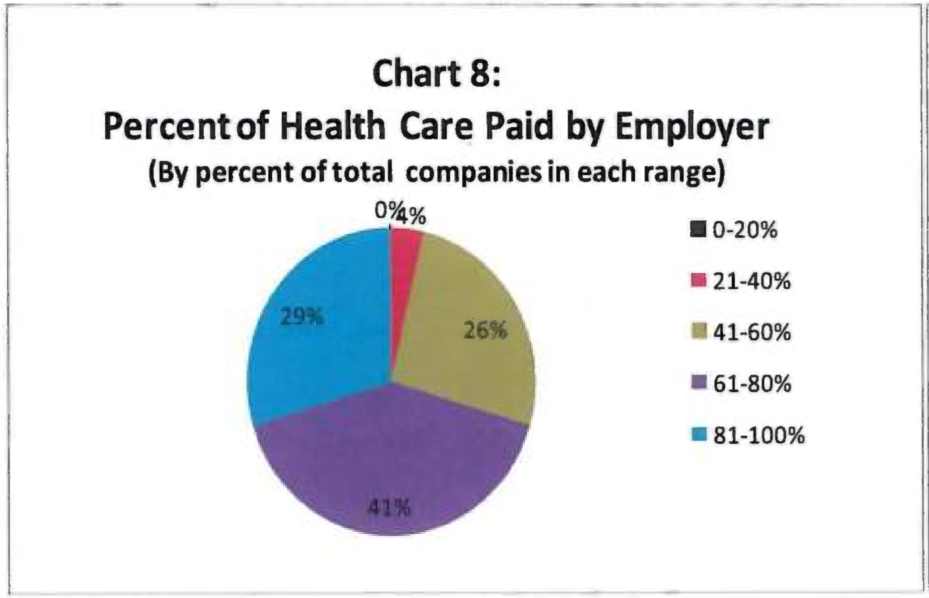
Chart 14 shows the regional distribution of the direct, new, qualifying jobs that are projected to be created. As with Charts 12 and 13, there is direct impact in all regions except for Rutland and the Northeast Kingdom. However, Vermonters from all regions will fill these jobs and all regions will benefit form the job creation and capital investments. The projects that have been authorized for incentives will generate an estimated 2,034 indirect jobs all around the State and the companies estimate over $100 million in business-to-business (vendor, supplier, customer, and client) interactions with other Vermont companies around the State.

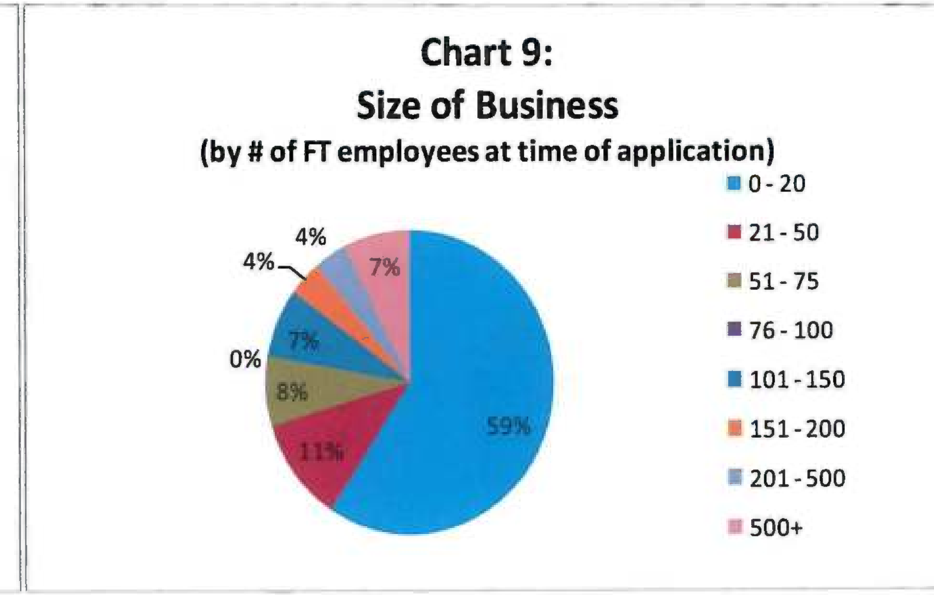
NOTE: THE DATA PRESENTED IN CHARTS 6-14 IS FOR ONLY THE 27 APPROVED-ACTIVE APPLICATIONS THROUGH DECEMBER 2009, NOT ALL APPLICATIONS CONSIDERED.





Data includes 27 Approved, Active applications only.





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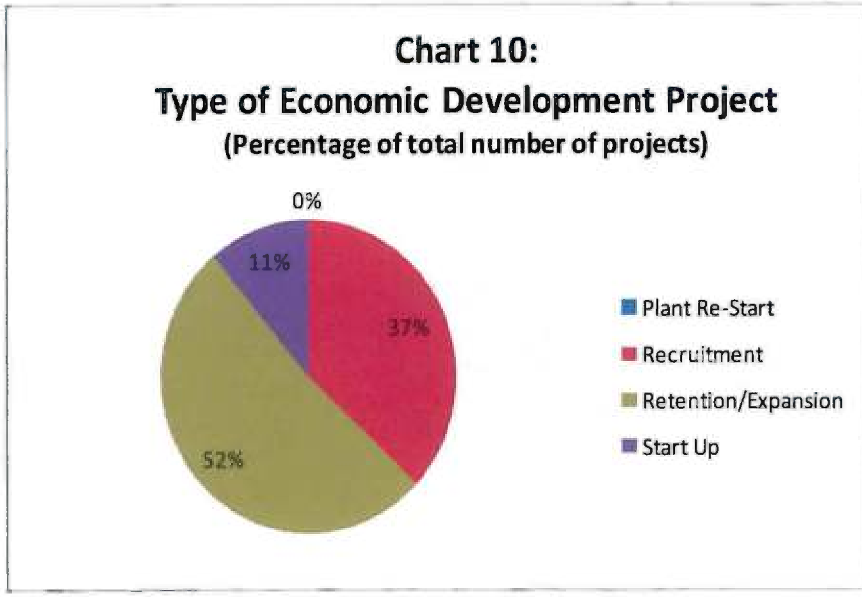

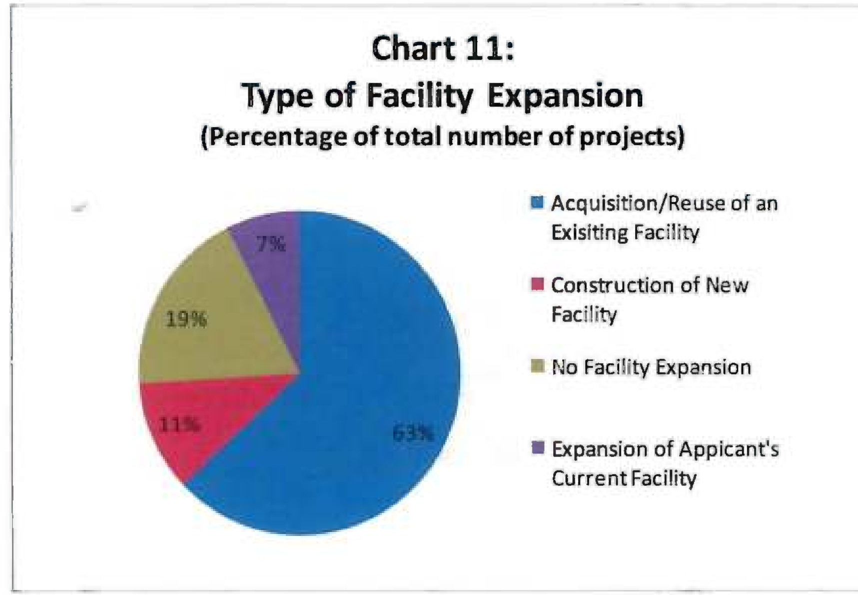

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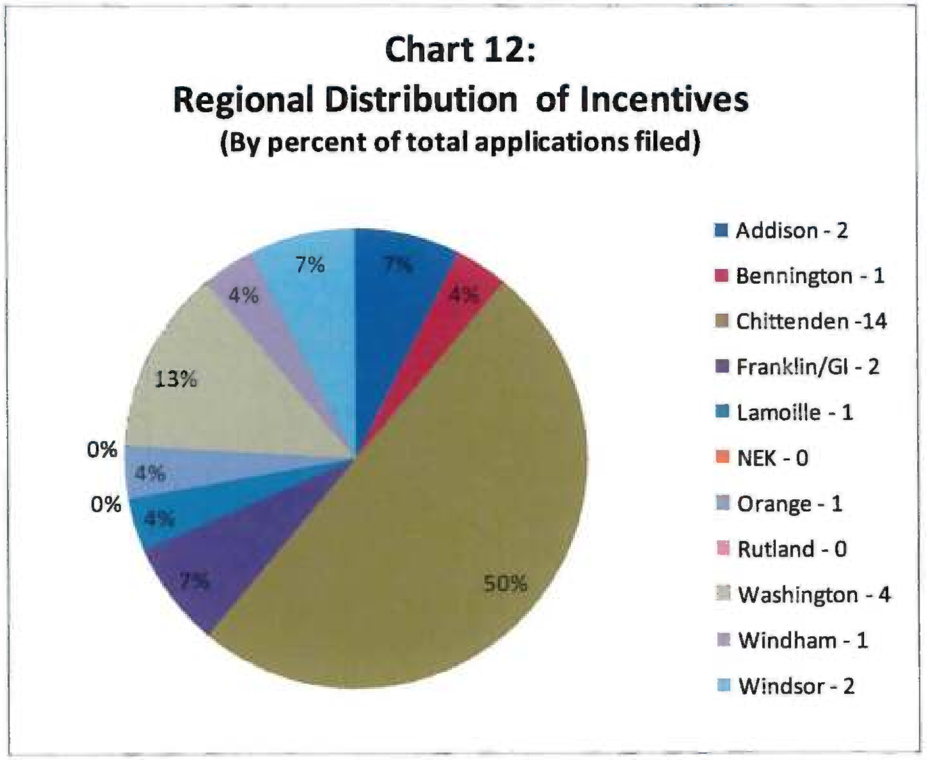
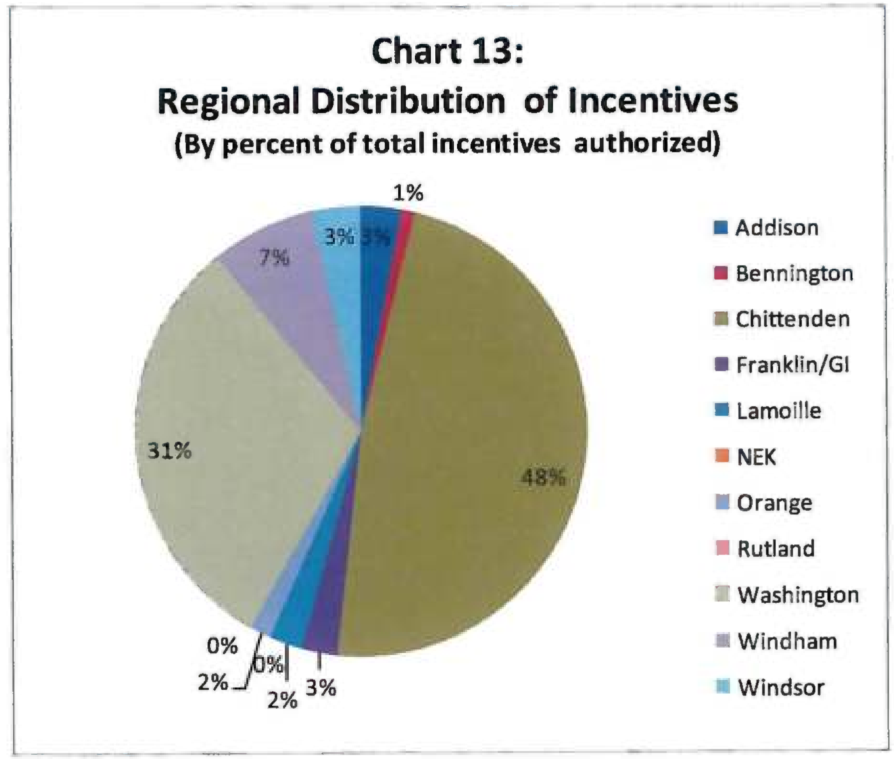
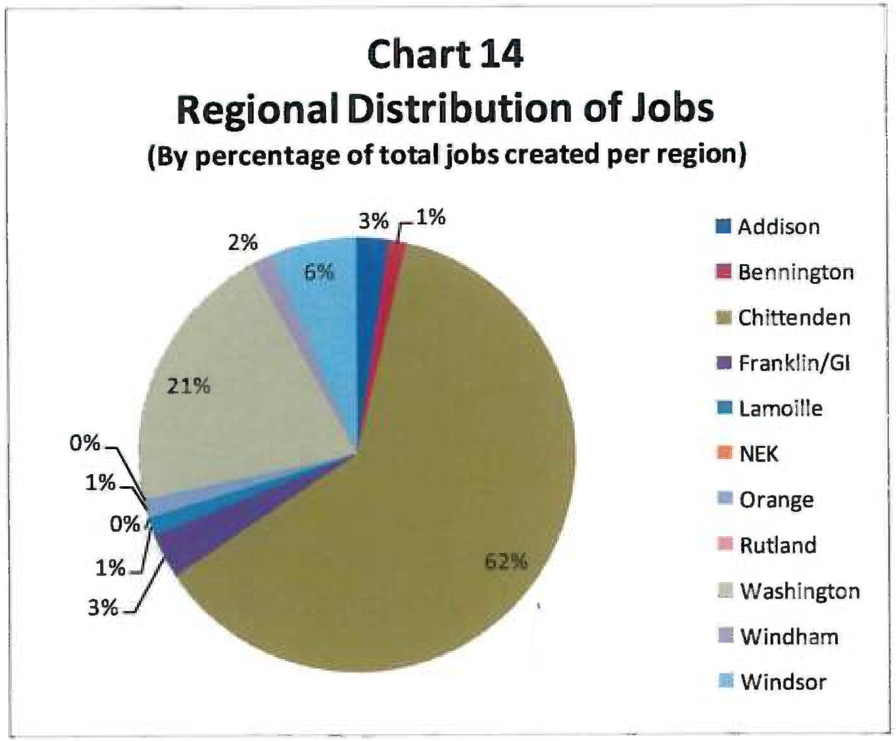




Data includes 27 Approved, Active applications only.



Data includes 27 Approved, Active applications only.

1	It is not possible to know this information until a company has completed an entire earning period. No company has completed an earning period yet. Table 5 inlcudes information on the aggregate number of companies that met targets each year.
2	"Green VEGI" authorizations are those approved for environmental technology companies in accordance with 32 VSA Section 5930b(g).
3	Status: "Active" indicates that an application was approved. "Active-Initial" indicates that an Initial Application was approved and the applicant still needs to file a Final Application for incenitves to be authorized. "Active-Final" indicates a Final Application has been submitted and approved and incentives are authorized. "Denied" indicates that an application was submitted and was denied by the VEPC Board. "Rescinded" indicates that an application was approved, but the authorization to earn incenitves was subsequently rescinded but no incentives were ever earned or paid. A rescission can occur for many reasons, including failure to file a VEGI claim, failure to meet targets, or if the applicant pulls out of the program because a project did not or will not occur. "Revoked" indicates that the authority to earn incentives is terminated after the company earned and was paid some incentives but there is no recapture. "Revoked-Recapture" indicates the authority to earn incenitves is terminated and the company has earned some incentives, which must be recaptured.
4	Includes Initial and Final Applications
5	See footnote 3
6	"Green VEGI" authorizations are those approved for environmental technology companies in accordance with 32 VSA Section 5930b(g).
7	Cap is $10,000,000 for each calendar year. Cap balances do not carry forward to the next year.
8	Fiscal benefits and costs are estimated by an economic model. Majority of costs and benefits occur during the first five years of each project. The costs include not only the cost of the incentive, but also other revenue costs to the state such as new students in school and other services incurred by adding new people and buildings. Cost to pay incentive, if earned, continues for four years after the incenitves are earned. Therefore, State of Vermont receives the benefit of each project before all incentive costs are incurred. The revenue benefits of the new jobs and payroll continue to accrue to the state after the five year earning period, but that benefit is not acounted for in the modeling. Therefore, the net revenue benefit is conservative. For a breakdown of estimated costs and benefits, by year, see Table 3.
9	The VEGI program cannot provide incentives for job retention. However, if a Vermont company receives incentives to expand in Vermont, an additional benefit is the retention of current employment.
10	VEGI incentives can only be authorized for new jobs that exceed a statutory wage threshold (160% of Vermont minimum wage). This number represents the new full-time jobs projected which will pay a wage at or under the VEGI wage threshold. The jobs occur because of the incentive, but cannot be counted toward the incentive calculation.
11	Indirect jobs are estimated by the VEGI cost-benefit model according to a multiplier factor for the particular region and sector of the project. These are the jobs created at other businesses in Vermont because of the project receiving the incentive.
12	All new payroll projected as new to Vermont due to the incentive, including for companies recruited to Vermont, is subject to a background growth calculation. This calculation discounts a portion of the new payroll that will be generated because of the incentive according to a factor for each business sector, thereby reducing the level of new payroll that is used to calculate the amount of incentive the applicant can earn. This payroll is considered "background" or "organic" or payroll that would have been created anyway. This number represents the amount of new payroll projected to be created in Vermont because of the incentive program, but for which no incentive will be earned or paid.
13	See Chart 6 for more detail on the level of health care paid by employers. This number represents the percentage of the health care costs for employees that are paid by the applicant companies.
14	This represents an estimate of the level of interaction by applicant companies with other Vermont companies as vendors, suppliers, and customers.

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