



Vermont Employment Growth Incentive Program

**Annual Report
2011**

VERMONT ECONOMIC PROGRESS COUNCIL

VERMONT DEPARTMENT OF TAXES

VEGI Program Summary

ACTUAL ECONOMIC IMPACT (January 1, 2007 - December 31, 2009)

New Qualifying Jobs Created	726
Total New Jobs (Direct & Indirect)	1,346
New Qualifying Payroll Created	\$30,782,958
New Qualifying Capital Investments	\$61,632,992
Incentives Earned and Paid	\$920,161
Estimated Net Revenue Benefit	\$2,937,700

APPLICATION VOLUME (January 1, 2007—December 31, 2010)

	<u># of Applications</u>	<u>Incentive Value</u>
Applications Considered	54	\$38,043,159
Applications Denied	4	\$ 783,181
Applications Rescinded/Terminated	16	\$ 8,536,198
Net Approved-Active Applications	34	\$28,723,780

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 incentive that comes from the incremental tax revenues generated by the new jobs created and investments made by an approved company, only after the incremental jobs are created and investments are made. To earn the incentive, a company must apply to the Vermont Economic Progress Council (VEPC), a citizen board that determines:

- Whether the economic activity would not occur or would occur in a significantly different and/or less desirable manner without the incentive (But For);
- Whether the economic activity will generate more incremental tax revenue for the state than is foregone through the incentive (cost-benefit modeling); and
- Whether the company and economic activity are consistent with a set of nine program 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 performance measures are met by the company each year. If the company earns the incentive by meeting performance measures in a particular year, the incentive 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.

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 and 4)
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 and 4)
7. Recipient performance in the year in which the incentives were applied (Tables 3 and 4)

This report presents the applications considered from the start of the program on January 1, 2007 through December 31, 2010, the status of those applications and incentives as of December 31, 2010, and the economic activity projected by the active applications. The report also includes the actual economic activity that has occurred from January 2007 - December 31, 2009, as reported on claims filed and examined by the Tax Department.

Table 1 provides a complete list of all applications considered from the start of the program in 2007 through December 2010 and the status as of December 31, 2010. The projected economic and fiscal impact of the incremental jobs, payroll and capital investments, as estimated by a cost-benefit model, are presented in Table 2. The activity projected to occur because of the incentives and the actual activity that occurred are summarized in Table 3 and detailed by class and year in Table 4. The data presented on Tables 1 and 2 is updated each month following each VEPC Board meeting and is always available on the VEGI website. Charts 5-13 are included to provide further detail and perspective on the data represented by the 34 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:

8. Number of applications for incentives (Table 2)
9. Number of approved applicants who complied with ALL their requirements for the incentive (Not Included¹)
10. Aggregate number of jobs created (Tables 3 and 4)
11. Aggregate payroll (Tables 3 and 4)
12. Date the authorization will expire (Table 1)
13. Identity of the business whose applications were approved (Table 1)

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, 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 "Rescinded" if the company never files a Final Application. An incentive is "terminated" if, after Final Approval, the Council or the Department of Taxes takes action to terminate the company's authorization to earn further incentive payments. Authorizations can be terminated for several reasons, including when a project does not occur or when the company fails to file an annual VEGI claim by the statutory filing date. Incentives are listed as "Terminated- Recapture" if the company has earned and/or been paid some of the incentives and something occurs that causes the incentives to be terminated and recapture of incentives paid is carried out by the Department of Taxes.

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 termination, 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 impacts estimated by the VEGI cost-benefit model.

VEPC has considered 89 applications since the inception of the VEGI program in January 2007, an average of 22 per year. The 54 applications summarized in this report are the Final Applications submitted and considered by each company (unless a Final application has not yet been submitted). 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, 2010, of the 54 Final Applications authorized, 34 (63%) are active, 16 (30%) have been rescinded/terminated, and 4 (7%) were denied. The rescissions and terminations are due primarily to projects not going forward 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.

QUICK DATA FACT #1

HOW MUCH NET TAX REVENUE HAS THE VEGI
PROGRAM GENERATED TO DATE?
(Estimated for 2007 – 2009, After Cost of Incentives Paid)

\$2,937,700

In 2007, the General Assembly approved an enhancement to the VEGI program for companies that will create jobs in certain environmental technology sectors. Since its passage, 9 applications have been considered for the “Green VEGI” enhancement, 6 of which remain active. These companies plan to employ over 832 Vermonters to design, research, develop, and produce wind turbines, capacitors for electric vehicles, energy efficient transformers, innovative water treatment technologies, recyclable plastic packaging, and flexible solar component production.

As the summary data in Table 2 show, the net (not including denied and rescinded/terminated) incentives authorized through December 2010 total just over \$28 million. These incentives will be earned by 33 companies for 34 projects planned to occur between 2007 and 2015 *only if* payroll, employment and capital investment performance measures are met. Incentives are not paid out on a pro-rata basis if annual performance measures are not met.

As Table 2 indicates, the projects that have been approved through December 2010 are projected to create **2,611 new, direct, qualifying jobs** (full-time, permanent, paying over 160% of Vermont minimum wage), over **\$125 million in new qualifying payroll** (above and beyond “background growth” payroll), and over **\$344 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 \$48,996 and **average total compensation of \$60,511** (including benefits). This economic activity, scheduled to occur between 2007 and 2015, is the basis for the incentives calculated and the incremental revenue projected to be generated.

The incentives will be paid out between 2008 and 2020, only if performance measures are met and maintained. The dollars to pay these incentives comes from the new tax revenue these companies generate to the state when the economic activity summarized in Table 2 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, unless the incentive was authorized (But For). Therefore, the tax revenue to pay the in-

centive 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 \$63.8 million, and the revenue costs, including the incentive payments will be about \$48 million. In addition to the new jobs, payroll and capital investments, the State of Vermont will realize net new revenues totaling **\$15.4 million**.

The fiscal 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.

QUICK DATA FACT #2

HOW MANY NEW JOBS HAVE VEGI COMPANIES CREATED TO DATE? (2007-2009)

Estimated All New Jobs, Direct and Indirect:	1,346
Actual New Qualifying jobs:	726

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 2,219 existing jobs will be retained*. The projects will also create about 105 non-qualifying full-time jobs (pay below 160% of Vermont minimum wage) and *over 4,000 indirect jobs* throughout the state.

The projects will also generate almost \$20.4 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 about \$20.4 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 \$108 million each year.

Also summarized in **Table 2** is the median level of employee health care costs that are paid by the employers approved for VEGI incentives, at 80%. Further detail on this and other data related to the Program Guidelines are contained in Charts 5-13.



Governor Shumlin cuts the ribbon to open the new eCorp English Headquarters in Middlebury. Also pictured are Salvatore Zizza, Chairman of the Board and Deborah Schwarz, President, eCorp English.

eCorp received Initial Approval for VEGI incentives in August 2010, after which the company made the decision to relocate their international English language teaching facility and headquarters from Malta to Vermont. The company was considered staying in Malta, or expanding in New York City, Portland, Oregon, or to a location in Vermont. In December 2010, an incentive package was finalized and the company opened in Middlebury in March 2011.

TABLE 1: INCENTIVE APPLICATIONS CONSIDERED, AND STATUS, THROUGH DECEMBER 31, 2010

Company Name	Date Application Considered	Authorization (Earning) Period	Status ³	Maximum Incentive Considered	Minimum Net Revenue Benefit	Green or Subsection 5	Location	Type of Project
Ink Jet Machinery of Vermont	25-Jan-07	n/a	Terminated Jan 24, 2008	\$ 336,055	\$ -	n/a	Dorset	Startup
Olympic Precision, Inc/WIC/Town of Windsor	25-Jan-07	n/a	Terminated Sept 6, 2007	\$ 474,428	\$ -	n/a	Windsor	Recruitment
Monahan SFI, LLC	15-Feb-07	n/a	Term-Recap Sept 28, 2009	\$ 791,277	\$ -	n/a	Middlebury	Plant Restart
Qimonda North America Corp.	15-Feb-07	n/a	Terminated Mar 27, 2008	\$ 229,672	\$ -	n/a	So. Burl	Ret./Expansion
Rehab Gym, Inc.	22-Mar-07	n/a	Denied	\$ 255,439	\$ -	n/a	Colchester	Ret./Expansion
Applejack Art Partners	3-May-07	n/a	Terminated Oct 25, 2007	\$ 85,539	\$ -	n/a	Manchester	Recruitment
Omni Measurement Systems	3-May-07	n/a	Terminated Mar 25, 2010	\$ 677,944	\$ -	n/a	Milton	Ret./Expansion
Vermont Timber Frames	3-May-07	2007 - 2011	Active - Final	\$ 156,126	\$ 70,611	n/a	Bennington	Recruitment/Exp.
Battenkill Technologies, Inc.	28-Jun-07	n/a	Terminated Jun 26, 2008	\$ 79,054	\$ -	n/a	Manchester	Recruitment
Burton Corporation	28-Jun-07	n/a	Terminated Mar 25, 2010	\$ 1,653,965	\$ -	n/a	Burlington	Ret./Expansion
Energizer Battery Manufacturing, Inc.	26-Jul-07	n/a	Terminated May 28, 2009	\$ 607,347	\$ -	n/a	St Albans	Ret./Expansion
NEHP, Inc.	25-Oct-07	2007 - 2011	Active - Final	\$ 182,396	\$ 94,388	n/a	Williston	Ret./Expansion
Green Mountain Coffee Roasters	25-Oct-07	2007 - 2011	Active - Final	\$ 1,786,828	\$ 2,129,672	n/a	Waterbury/Essex	Ret./Expansion
Know Your Source, LLC	6-Dec-07	n/a	Denied	\$ 71,302	\$ -	n/a	Burlington	Start-up
Mascoma Corporation	25-Oct-07	n/a	Rescinded Jun 26, 2008	\$ 1,942,989	\$ -	Green	WRJ	Recruitment/Exp.
CNC North, Inc.	6-Mar-08	n/a	Terminated Mar 25, 2010	\$ 70,533	\$ -	n/a	Springfield	Ret./Expansion
Vermont College of Fine Arts	27-Mar-08	2008-2012	Active - Final	\$ 206,737	\$ 126,260	n/a	Montpelier	Start-up
Isovolta, Inc.	26-Jun-08	n/a	Terminated May 28, 2009	\$ 568,330	\$ -	n/a	Rutland	Ret./Expansion
Vermont Castings Holding Company	18-Sep-08	n/a	Terminated May 28, 2009	\$ 488,000	\$ -	Green	Bethel	Ret./Expansion
New England Precision, Inc./Clifford Properties, Inc.	18-Sep-08	2008-2012	Active - Final	\$ 241,236	\$ 350,926	n/a	Randolph	Ret./Expansion
Utility Risk Management Corp	23-Oct-08	2008-2012	Active - Final	\$ 377,371	\$ 185,973	n/a	Stowe	Recruitment
Helix Global Solutions, Inc.	4-Dec-08	n/a	Rescinded Dec 4, 2008	\$ 53,739	\$ -	n/a	Burlington Area	Recruitment/Exp.
Vermont Wood Energy Corp	4-Dec-08	n/a	Denied	\$ 293,967	\$ -	Green	Rutland	Start-up
Tata's Natural Alchemy	4-Dec-08	n/a	Terminated Mar 25, 2010	\$ 231,531	\$ -	n/a	Whiting/Shoreham	Start-up
BioTek Instruments, Inc./Lionheart Technologies, Inc.	4-Dec-08	2009-2013	Active - Final	\$ 692,854	\$ 1,059,543	n/a	Winooski	Ret./Expansion
Dominion Diagnostics, LLC	22-Jan-09	2009-2010	Active - Final	\$ 103,300	\$ 52,239	n/a	Williston	Recruitment/Exp.
Albany College of Pharmacy	22-Jan-09	2009-2013	Active - Final	\$ 630,859	\$ 345,716	n/a	Colchester	Recruitment/Exp.
ASK-intTag, LLC	26-Mar-09	2009-2013	Active - Final	\$ 553,722	\$ 263,998	n/a	Essex	Recruitment/SU
Vermont Transformers, Inc.	26-Mar-09	2009-2013	Active - Final	\$ 267,569	\$ 55,910	Green	St. Albans	Recruitment/Exp.
Project Graphics, Inc.	30-Apr-09	2009-2013	Active - Final	\$ 230,414	\$ 112,162	n/a	So. Burlington	Recruitment
Durasol Awnings, Inc.	28-May-09	n/a	Terminated Mar 25, 2010	\$ 245,795	\$ -	n/a	Middlebury	Ret./Expansion
Commonwealth Yogurt, Inc.	25-Jun-09	2009-2013	Active - Final	\$ 1,201,154	\$ 614,505	n/a	Brattleboro	Start-up/Recruit
AirBoss Defense USA, Inc.	24-Sep-09	2009 -2013	Active - Final	\$ 243,280	\$ 116,725	n/a	Milton	Recruitment/Exp.
MyWebGrocer, Inc	22-Oct-09	2010-2014	Active - Final	\$ 453,475	\$ 286,567	n/a	Colchester	Ret./Expansion
Maple Mountain Woodworks, LLC	17-Dec-09	2009-2012	Active - Final	\$ 143,436	\$ 59,857	n/a	Richford	Start-up
Terry Precision Bicycles for Women, Inc.	17-Dec-09	2009-2011	Active - Final	\$ 126,296	\$ 53,440	n/a	Burlington	Recruitment
Northern Power Systems, Inc.	17-Dec-09	2009-2013	Active - Final	\$ 808,104	\$ 235,796	Green	Barre	Ret./Expansion
Green Mountain Coffee Roasters, Inc.	17-Dec-09	2009-2011	Active - Final	\$ 292,307	\$ 1,736,611	n/a	Chittenden County	Ret./Expansion
SBE, Inc.	17-Dec-09	2010-2014	Active - Final	\$ 3,048,671	\$ 817,673	Green	Barre	Ret./Expansion
Seldon Technologies, Inc.	17-Dec-09	2010-2014	Active - Final	\$ 478,396	\$ 136,972	Green	Windsor	Ret./Expansion
Business Financial Publishing, Inc.	28-Jan-10	n/a	Denied	\$ 162,473	\$ -	n/a	Burlington	Recruitment
New England Supply, Inc.	25-Mar-10	2010-2014	Active-Final	\$ 67,953	\$ 36,088	n/a	Williston	Start-up
The Original Vermont Wood Products, Inc.	27-May-10	2010-2011	Active-Final	\$ 100,604	\$ 35	Sub 5	Pittsfield	SU/Plant Restart
Westminster Cracker Company, Inc.	22-Jul-10	2010-2014	Active-Final	\$ 236,246	\$ 96,360	Sub 5	Rutland	Ret./Expansion
Revision Eyewear, Ltd.	28-Oct-10	2010-2013	Active- Final	\$ 552,193	\$ 449,055	n/a	Essex	Ret./Expansion
Organic Trade Association	28-Oct-10	2010	Active-Final	\$ 75,569	\$ 35,795	n/a	Brattleboro	Recruitment
Dealer.com, Inc.	16-Dec-10	2010-2012	Active-Final	\$ 4,929,487	\$ 2,644,946	n/a	Burlington	Ret./Expansion
Pinnacle Sales Accelerators, LLC	16-Dec-10	2010-2014	Active-Final	\$ 111,635	\$ 53,490	n/a	Burlington	Start-up/Recruit
Swan Valley Cheese Company of Vermont	16-Dec-10	2010-2012	Active-Final	\$ 305,830	\$ -	Sub 5	Swanton	SU/Plant Restart
Hayward Tyler, Inc.	16-Dec-10	2011-2015	Active-Initial	\$ 1,103,117	\$ 579,415	n/a	Milton	Ret./Expansion
Ellison Surface Technologies, Inc.	16-Dec-10	2011-2015	Active-Initial	\$ 227,775	\$ 104,251	Sub 5	Rutland	Ret./Expansion
eCorporate English, Ltd.	16-Dec-10	2011-2015	Active-Initial	\$ 234,288	\$ 106,940	n/a	Middlebury	Recruitment/Exp.
Skypoint Solar	16-Dec-10	2011-2015	Active-Initial	\$ 7,900,114	\$ 2,286,537	Green	Burlington	Start-up/Recruit
Alpha, Inc.	16-Dec-10	2011-2015	Active-Initial	\$ 654,438	\$ 181,570	Green	TBD	Recruitment/Exp.

**TABLE 2: INCENTIVE AUTHORIZATION DATA SUMMARY
FOR APPLICATIONS CONSIDERED THROUGH DECEMBER 31, 2010**

Application Count	Total Considered	Approved - Active ⁴	Rescinded/ Terminated ⁵	Denied	
Total Applications Considered:	54	34	16	4	
Percent of Total Applications		63%	30%	7%	
Regular VEGI Applications:	45	28	14	3	
Green VEGI Applications ⁶ :	9	6	2	1	
Subsection 5 Applications:	4	4	0	0	
Authorization Summary:		Direct Estimated Economic Impact:			
Total Incentives Considered To Date:	\$ 38,043,159	New Qualifying FT Jobs Projected:			2,611
Total Incenitves Denied To Date:	\$ 783,181	New Qualifying FT Payroll Projected:			\$ 125,766,169
Total Incentives Rescinded/Revoked to Date:	\$ 8,536,198	Weighted Average Wage of New Qualifying Jobs:			\$ 48,996
Net Incentives Authorized to Date:	\$ 28,723,780	Average Total Compensation for New Qualifying Jobs			\$ 60,511
		New Qualified Capital Investment Projected:			\$ 344,820,785
Authorizations, by Year/Cap Balances ⁷ :		Related Estimated Economic Activity:			
2007 Authorizations:	\$ 2,125,350	Retained Full-time Jobs ⁸ :			2,219
2007 Cap Balance:	\$ 7,874,650	Full-time Non-Qualifying Job Creation ⁹ :			105
2008 Authorizations:	\$ 825,344	Indirect Job Creation ¹⁰ :			4,123
2008 Cap Balance:	\$ 9,174,656	Total Full-time Job Creation:			6,839
2009 Authorizations:	\$ 5,293,295	New Payroll Considered Background Growth ¹¹ :			\$ 20,432,204
2009 Cap Balance:	\$ 4,706,705	Median Health Care Premium Paid by Employer ¹² :			80%
2010 Authorizations:	\$ 10,360,059	Approximate Value of VT Biz-to-Biz Interactions ¹³ :			\$ 108,117,415
2010 Cap Balance:	\$ 12,639,941	Direct Estimated Fiscal Impact ¹⁴			
2011 Authorizations:	\$ 10,119,732	Total Revenue Benefits to the State:			\$ 63,872,361
2011 Cap Balance:	\$ (119,732)	Total Revenue Costs to the State, Including Incentives			\$ 48,392,351
Annual SubSection 5 Cap:		Net Fiscal Return to the State:			\$ 15,480,010
2007 - 2009 Cap Per Year	\$ 1,000,000	Incentive Enhancements:			
2007 - 2009 SubSection 5 Utilization	\$ -	Increase in Incentives Due to Enhancements:			
2007 - 2009 Cap Balance Per Year	\$ 1,000,000	Green VEGI			\$ 1,740,172
2010 Cap	\$ 1,000,000	Subsection 5			\$ 344,192
2010 SubSection 5 Utilization	\$ 228,453	Total			\$ 2,084,364
2010 Cap Balance	\$ 771,547	Decrease in Net Revenue Return Due to Enhancements:			
2011 Cap	\$ 1,000,000	Green VEGI			\$ 1,456,529
2011 SubSection 5 Utilization	\$ 115,739	Subsection 5			\$ 309,870
2011 Cap Balance	\$ 884,261	Total			\$ 1,766,399

Table 3 summarizes, by calendar year, the number of claims expected and filed, the projected and actual qualifying job creation, qualifying payroll generation, capital investments made, incentive payments disbursed, and the net revenue benefit for the State.

Table 4 details the same information by “class” or “cohort.” This data breaks down the projected and actual activity and incentives earned for each group of companies by their earning period. The earning period is the five-year period during which the economic activity is projected to occur and incentives 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 April (changed from February in 2010) 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, were 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 2010, but actual earning and economic activity for 2007–2009.

In 2007, seven claims were filed. The Vermont Department of Taxes determined that four of these companies met their performance requirements by the end of the year and three did not. In 2008, ten were filed, and three met performance measures. For 2009, 16 were filed and 5 met performance requirements. Only the companies that met performance measures were paid the incentives indicated in **Tables 3 and 4**. The projected and actual data included in **Table 4** summarized in **Table 3** are for the companies that both met and did not meet targets. Companies are not included if their incentives were rescinded or terminated in subsequent years. Data for companies that did not meet performance requirements are included because a company is not re-

moved from the program if they do not meet their requirements 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 the performance measures. Note that no incentive is paid to such a company until and unless the requirements 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 terminated, and the data for that company is removed.

Table 4 shows that the companies with expected activity in 2007 created more jobs, generated more payroll, and invested more in capital investments than projected. The incentives earned and the first installment reflects the success of this first year. However, starting in 2008 more companies had difficulty meeting performance requirements 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 and 2009 corresponds with the downturn in the economy.

QUICK DATA FACT #3

HOW MUCH HAVE VEGI COMPANIES INVESTED IN VERMONT TO DATE? (2007 – 2009)

New Qualifying Payroll:	\$30.7 Million
New Qualifying Capital Investments:	\$61.6 Million

The data in **Table 3 and 4** also indicate how the structure of the VEGI program protects the state. In the third year of the program, the total new jobs created is below what was projected. Companies in the program created 200 new qualifying jobs (compared to 207 projected). However, the gross level of incentives paid were about \$401,000 (compared to \$498,000 projected).

Because absolute performance measures 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 performance requirements are not met, and no incentive is paid unless and until the performance measures 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 to the State of Vermont from economic activity and incentive payments through December 2009 was estimated at \$1.4 million. 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 \$2,937,700** for 2007-2009 only.

QUICK DATA FACT #4

HOW MUCH HAS BEEN PAID OUT IN VEGI INCENTIVES TO DATE? (2007 – 2009)

\$920,161

It should be noted that the economic activity of the rescinded and terminated companies was not included in the modeling for the revenue impact, but those companies may have contributed jobs and investments during this period. For example, a company was authorized for incentives to move from another state to Vermont and create more jobs. The move occurred, jobs were created, but not at a level that met performance requirements to earn the incentive. Therefore, economic activity occurred and new tax revenues were generated to the State, but no incentives were paid.

QUICK DATA FACT #5

HOW MUCH HAS BEEN AUTHORIZED IN VEGI
INCENTIVES TO DATE?
(Potentially Earned Between 2007 – 2015 and Paid out Between
2008 - 2019)

\$28,723,780

TABLE 3: PROJECTED AND ACTUAL ACTIVITY - SUMMARY

YEAR	2007	2008	2009	TOTALS
Claim Activity:				
Claims Expected:	7	14	22	43
Claims Filed:	7	10	16	33
Met Targets:	4	3	5	12
Did Not Meet Targets:	3	7	11	21
Net Included in Projected and Actual Data:	7	10	16	33
Projected Activity:				
New Qualifying Employees:	114	233	207	554
New Qualifying Payroll:	\$ 3,842,588	\$ 7,897,077	\$ 10,417,072	\$ 22,156,737
New Qualifying Capital Investments:	\$ 14,317,077	\$ 13,299,891	\$ 23,727,561	\$ 51,344,529
Est. Incentive Installments to be Paid:	\$ 50,574	\$ 253,487	\$ 498,173	\$ 751,660
Net Revenue Benefit:	\$ 93,216	\$ 394,582	\$ 1,059,890	\$ 1,454,472
Actual Activity:				
New Qualifying Employees:	265	261	200	726
New Qualifying Payroll:	\$ 10,141,803	\$ 8,920,051	\$ 11,721,104	\$ 30,782,958
New Qualifying Capital Investments:	\$ 22,546,350	\$ 13,344,162	\$ 25,942,480	\$ 61,832,992
Incentive Installments Paid:	\$ 208,653	\$ 310,139	\$ 401,369	\$ 920,161
Less: In Recapture Status:	\$ 132,613	\$ 132,613	\$ -	\$ 132,613
Net Incentives Paid to Companies:	\$ 76,040	\$ 177,526	\$ 399,030	\$ 652,596
Net Revenue Benefit:	\$ 947,900	\$ 969,800	\$ 1,020,000	\$ 2,937,700

TABLE 4: PROJECTED AND ACTUAL ACTIVITY - BY CLASS

YEAR:	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
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:	7	7	6								
Claims Filed:	7	6	3								
Met Targets:	4	1	1								
Did Not Meet Targets:	3	5	2								
Net Included in Projected and Actual Data	7	6	3								
Projected Activity:											
New Qualifying Employees:	114	198	33	41	40						
New Qualifying Payroll:	\$ 3,842,588	\$ 5,911,240	\$ 1,130,736	\$ 1,255,992	\$ 1,183,672						
New Qualifying Capital Inv.:	\$ 14,317,077	\$ 11,886,270	\$ 5,242,000	\$ 3,096,400	\$ 1,113,680						
Est. Incentive Installments to be Paid:	\$ 50,574	\$ 227,200	\$ 396,047	\$ 411,260	\$ 420,207	\$ 282,360	\$ 36,127	\$ 21,486	\$ 9,709		
Actual Activity:											
New Qualifying Employees:	265	220	101								
New Qualifying Payroll:	\$ 10,141,803	\$ 6,908,636	\$ 5,407,359								
New Qualifying Capital Inv.:	\$ 22,546,350	\$ 12,445,210	\$ 9,958,138								
Incentive Installments Paid:	\$ 208,653	\$ 276,650	\$ 357,683								
Less: In Recapture Status:	\$ 132,613	\$ 132,613	\$ -								
Net Incentives Paid to Companies:	\$ 76,040	\$ 144,037	\$ 357,683								
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	4									
Claims Filed:	4	2									
Met Targets:	2	1									
Did Not Meet Targets:	2	1									
Net Included in Projected and Actual Data:	4	2									
Projected Activity:											
New Qualifying Employees:	35	19	11	8	6						
New Qualifying Payroll:	\$ 1,985,837	\$ 1,035,000	\$ 554,000	\$ 355,000	\$ 340,000						
New Qualifying Capital Inv.:	\$ 1,413,621	\$ 2,100,000	\$ 575,000	\$ 500,000	\$ 500,000						
Est. Incentive Installments to be Paid:	\$ 26,287	\$ 102,125	\$ 130,563	\$ 144,980	\$ 156,336	\$ 86,205	\$ 41,608	\$ 23,584	\$ 13,100		
Actual Activity:											
New Qualifying Employees:	41	4									
New Qualifying Payroll:	\$ 2,011,415	\$ 246,811									
New Qualifying Capital Inv.:	\$ 898,952	\$ 969,757									
Incentive Installments Paid:	\$ 33,489	\$ 41,347									
Less: In Recapture Status:	\$ -	\$ -									
Net Incentives Paid to Companies:	\$ 33,489	\$ 41,347									

TABLE 4: PROJECTED AND ACTUAL ACTIVITY - BY CLASS (Cont.)

YEAR:	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
CLASS OF 2009: (Incentives earned between 2009 and 2013 and paid out between 2010 and 2018)												
YEAR:			1	2	3	4	5	6	7	8	9	10
Claim Activity:												
Claims Expected:			12									
Claims Filed:			11									
Met Targets:			3									
Did Not Meet Targets:			8									
Net Included in Projected and Actual Data:			11									
Projected Activity:												
New Qualifying Employees:			155	177	122	95	42					
New Qualifying Payroll:			\$ 8,251,336	\$ 8,324,637	\$ 6,412,752	\$ 4,753,904	\$ 2,519,236					
New Qualifying Capital Inv.:			\$ 16,385,561	\$ 16,502,825	\$ 3,716,050	\$ 4,343,792	\$ 2,430,000					
Est. Incentive Installments to be Paid:			\$ 118,410	\$ 505,452	\$ 758,893	\$ 908,004	\$ 1,035,157	\$ 759,157	\$ 383,318	\$ 217,014	\$ 92,544	
Actual Activity:												
New Qualifying Employees:			95									
New Qualifying Payroll:			\$ 6,066,934									
New Qualifying Capital Inv.:			\$ 15,014,585									
Incentive Installments Paid:			\$ 2,339									
Less: In Recapture Status:			\$ -									
Net Incentives Paid to Companies:			\$ 2,339									

Supplemental Data: Active Applications

Charts 5 through 13 illustrate several interesting data points about the 34 active projects in the program. Note that the data presented in charts 5-13 is generated *only* by the 34 approved-active applications (not all applications ever considered). **Charts 5 through 7** cover issues related to the program guidelines. **Charts 8-10** show data that counters some assumptions that are often made about the program applicants and the projects that are approved. **Charts 11-13** are related to regional distribution of incentives and jobs.

Chart 5 shows the wage ranges of the projected 2,611 new, qualifying jobs, in \$10,000 increments. This data relates to Guideline 2, regarding wages and benefits. While the largest segment of jobs, at 30% of total, are in the \$25,000 - \$29,000 range, the chart shows that the majority of the jobs (70% 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 105 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 6 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 7 illustrates one aspect of the fringe benefits that are and/or will be offered by the applicant companies (related to Guideline 2). The average of the benefits ratios (benefits as percentage of total compensation) for applicants is 24%. This means that the weighted average wage paid, \$48,996, is supplemented by an average benefits package valued at \$11,514 for a total compensation of \$60,510. All approved applicant companies in the VEGI program pay

some portion of employee health care costs. Only one company offers less than 30% coverage by the employer. One company offers 12% and one company offers 33%. All other companies offer 50% or more coverage. The majority of the companies (82%) cover 61% or more of health care costs for their employees.

Chart 8 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, 28 (85%) of the companies had under 100 employees, with 21 (or 64%) of those companies actually having under 20 employees. Only two applicants had 500 or more employees at the time of application. Almost 59% of the applicants are Vermont-based/owned companies. These are companies that were started by, and are owned by Vermonters and their families.

Chart 9 illustrates the types of economic development projects applying for incentives. It shows 44% of companies are recruitment types that are starting, expanding into or relocating to Vermont. Forty-one percent of the projects are retaining and expanding existing Vermont companies or divisions. Another 9% are start-ups by Vermont entrepreneurs and 6% are re-starts of previously closed companies. This data, when viewed together with **Chart 8**, indicates that the VEGI program is now providing almost equal incentive percentages to the retention and expansion of small, Vermont companies as to the recruitment of small and medium-size companies to Vermont.

QUICK DATA FACT #6

WHAT IS THE AVERAGE COMPENSATION FOR THE NEW JOBS TO BE CREATED BY VEGI COMPANIES?

\$60,511

Chart 10 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 64% of the active projects. Another 12% did not involve any facility expansion and 12% will expand the facility they currently occupy. A total of 88% 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. Four companies (12%) proposed projects that will involve new construction, but all of them will occur within existing industrial or commercial parks or within sites zoned for that purpose.

Charts 11 and 12 show the regional distribution of the incentives by the number of active-approved applications per region (**Chart 11**) and by incentive dollars per region (**Chart 12**). There are active projects in every region of the state except the Northeast Kingdom. 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 extensive business-to-business relationships developed by applicant companies within the state also occur regardless of regional boundaries.

Chart 13 shows the regional distribution of the direct, new, qualifying jobs that are projected to be created. As with Charts 11 and 12, there is direct impact in all regions except for the Northeast Kingdom. However, Vermonters from all regions will fill these jobs and all regions will benefit from the job creation and capital investments. The projects that have been authorized for incentives will generate an estimated 4,123 indirect jobs all around the State and the companies estimate over \$108 million in annual business-to-business (vendor, supplier, customer, and client) interactions with other Vermont companies around the State.

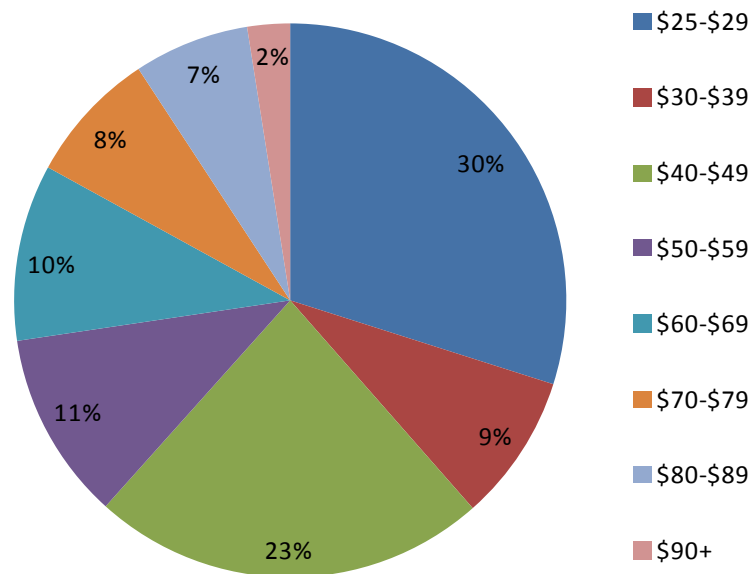
NOTE: THE DATA PRESENTED IN CHARTS 5-13 ARE FOR ONLY THE 34 APPROVED-ACTIVE APPLICATIONS THROUGH DECEMBER 2010, NOT ALL APPLICATIONS CONSIDERED.

QUICK DATA FACT #7

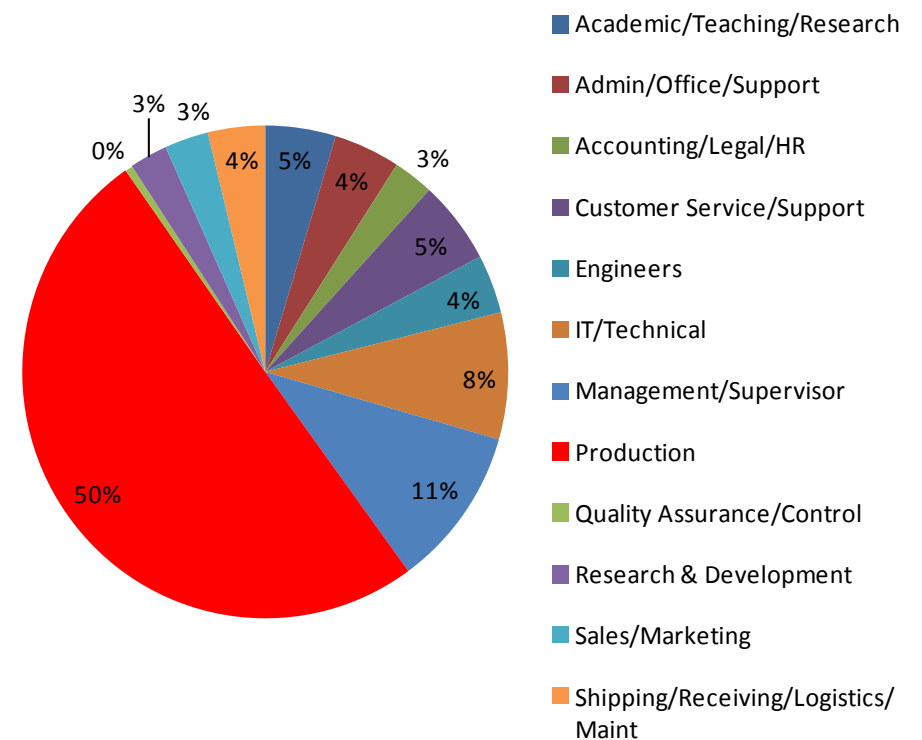
WHAT PERCENTAGE OF VEGI COMPANIES ARE:

RE-UTILIZING EXISTING FACILITIES?	64%
BUILDING NEW FACILITIES:	12%

**Chart 5:
Wage Levels for Projected Jobs
(Wage Ranges in 000's)**



**Chart 6:
Projected Job Types**



Data includes 34 Approved, Active applications only.

Chart 7:
Percent of Health Care Paid by Employer
(By percent of total companies in each range)

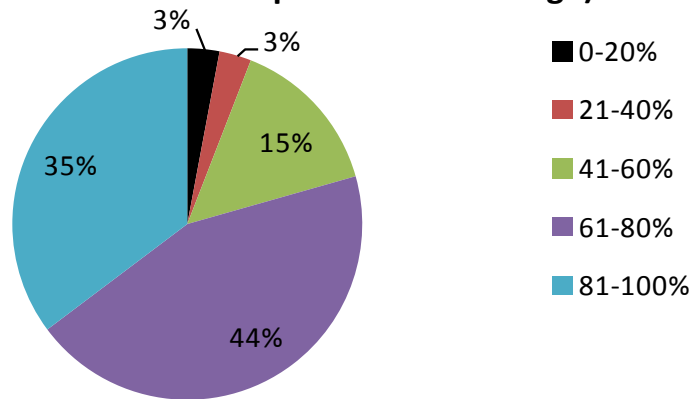
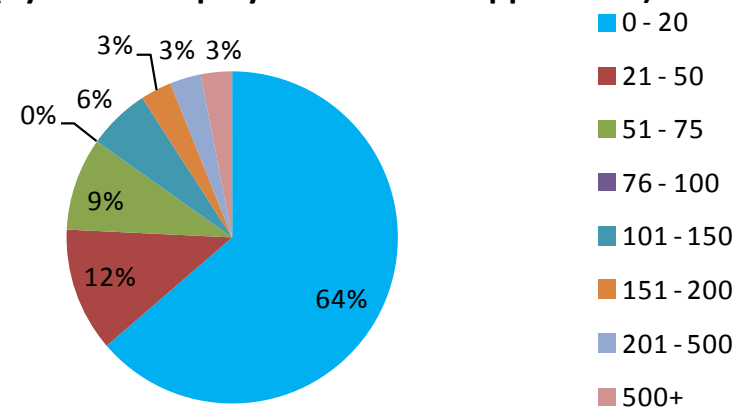


Chart 8:
Size of Business
(by # of FT employees at time of application)



Data includes 34 Approved, Active applications only.

Chart 9:
Type of Economic Development Project
(Percentage of total number of projects)

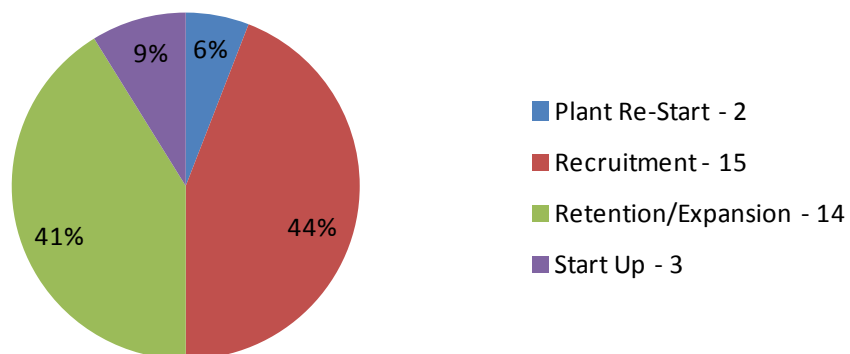
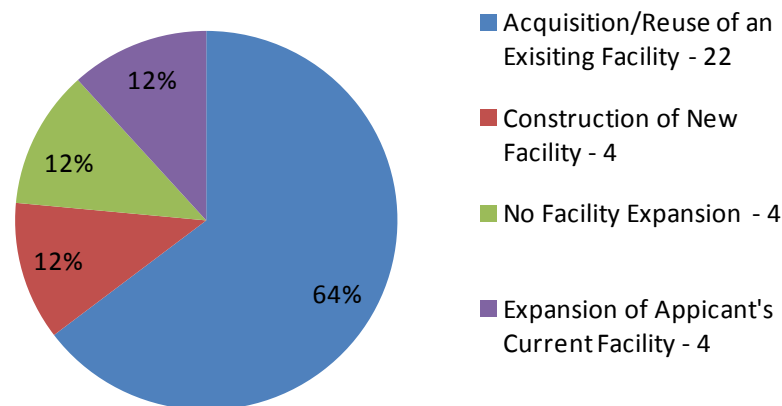


Chart 10:
Type of Facility Expansion
(Percentage of total number of projects)



Data includes 34 Approved, Active applications only.

Chart 11:
Regional Distribution of Incentives
(By number of applications)

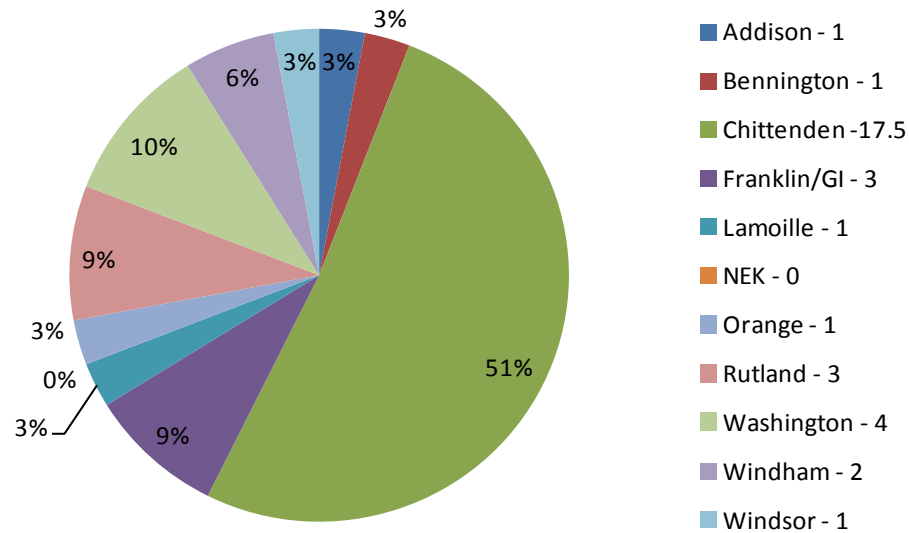
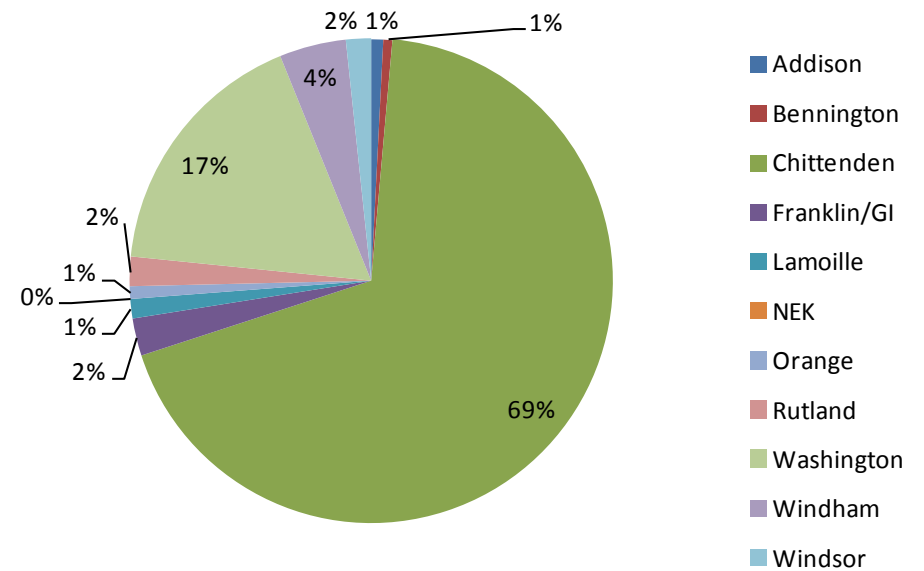
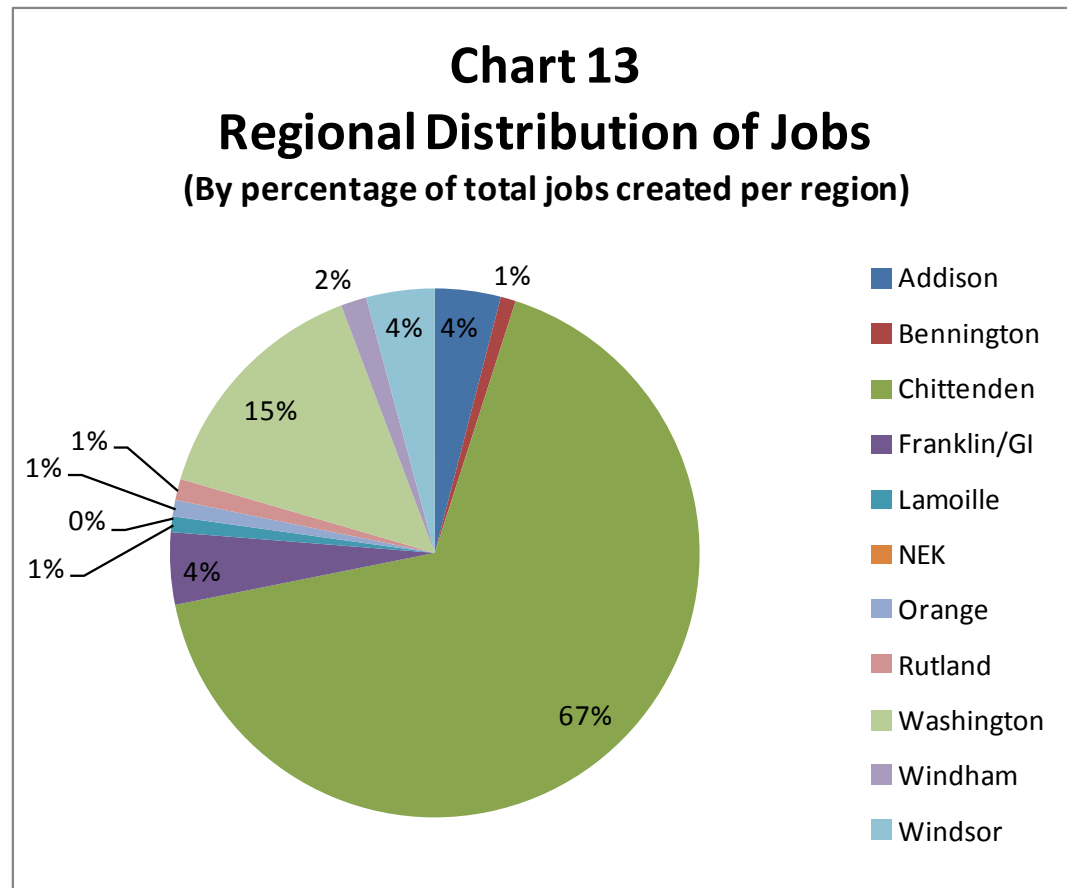


Chart 12:
Regional Distribution of Incentives
(By dollar value of incentives authorized)



Data includes 34 Approved, Active applications only.



Data includes 34 Approved, Active applications only.

	2009 Bench- mark	2009 Actual	2010 Bench- mark	2010 Actual	2011 Bench- mark	2011 Actual	2012 Bench- mark	2012 Actual
Outcome:								
(NOTE: All Outcome Measures are set by aggregated data from authorized companies) DATA AS OF DECEMBER 31, 2010								
For Incentive Level of:	\$617,000	\$401,000	\$1.344 M		\$2.327 M		\$3.181 M	
Incremental Qualifying Jobs	207	200	434		464		523	
Percentage of New Qualifying That are Vermont Residents	91%	99%	91%		91%		91%	
Incremental Qualifying Payroll	\$10.4 M	\$11.7 M	\$22.3 M		\$24.4 M		\$27.0 M	
Incremental Qualifying Capital Investments	\$23.7	\$25.9 M	\$40.4 M		\$61.0 M		\$71.6 M	
Incremental Net Revenues	\$1.0 M	\$1,020,000	\$2.0 M		\$3.1 M		\$3.4 M	
Output:								
Net Revenue Generated Per New Qualifying Job	\$4830	\$5,100	\$4608		\$6681		\$6501	
Number of Applications Considered	22	26	22	23	25		30	
Efficiency:								
Modeling Cost Per Application Modeled (FY basis)	\$365	\$365	\$365	\$322	\$350		\$325	
Budgetary Cost per New Qualifying Job Created	\$1067	\$1105	\$509		\$476		\$422	

Footnotes

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 includes information on the aggregate number of companies that met targets each year.
2	"Green VEG" 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 incentives 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 incentives 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 incentives 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 VEG" 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 incentives 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 accounted 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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