Vertmont Employment Growth Incentive
Technical Working Group Review

November 2016

Report to:
Joint Fiscal Committee
Vermont Economic Progress Council

House Committee on Commerce and Economic Development
House Committee on Ways and Means
House Committee on Appropriations

Senate Committee on Economic Development, Housing and General Affairs
Senate Committee on Finance
Senate Committee on Appropriations

Technical Working Group Members:
Tom Kavet, Legislative Economist; Kavet, Rockler & Associates, LLC
Ken Jones, Economic Research Analyst, Agency of Commerce and Community Development
Mathew Barewicz, Economic & Labor Market Information Chief, Vermont Department of Labor
Rebecca Sameroff, Senior Fiscal Analyst, Vermont Department of Taxes

Introduction to Technical Working Group Report

2016 Acts and Resolves No.157, Section H.14 established a Technical Working Group (TWG) to review four questions related to the operation of the Vermont Employment Growth Incentive (VEGI). VEGI has been providing incentive agreements to Vermont businesses since 2007. Business applications are processed by the Vermont Economic Progress Council (VEPC) and annual VEGI claims are examined by and incentive payments processed by the Tax Department. Details of the incentive calculation process, including a Cost-Benefit Model that calibrates award levels, are approved by the Joint Fiscal Committee. Each year, VEPC and the Tax Department provide an annual report that includes the history of job and wage growth by the sum of all businesses receiving VEGI payments and an update on new agreements authorized in the past year.

The Legislature was interested in the TWG's addressing four questions and those four questions provide the outline for this report. In each case, the TWG sought to focus on the technical aspects of addressing VEGI incentive calculations through the use of objectively applied tools and highlighting those topics that are more appropriate for policy discussions and the use of subjective judgment. However, a clear separation between the technical aspects of VEGI implementation and policy choices is not always available and this report attempts to identify when the technical recommendations begin to overlap with policy considerations.

Unfortunately, the TWG was not able to achieve consensus recommendations for all issues reviewed. In such cases, various perspectives are presented in the hope that some of the related discussion around these issues may be of value in deliberating legislative options.

Question One: Is the Cost-Benefit Model being effectively utilized?

Although this is a broad question that could encompass many areas of technical and policy inquiry, we have focused our work on two primary considerations associated with the effective use of the VEGI cost-benefit analysis:

1. Is it effective in producing a reasonable estimate of net State government revenue growth, given the Model input assumptions?
2. Is it effective in determining an appropriate incentive amount that is not too high, which would represent an unnecessary expenditure of taxpayer funds, or too low, which would represent an unnecessary net economic loss to the State?

Estimating net State government revenue

The most important element in assessing the Cost-Benefit Model's effectiveness in terms of estimating net State government revenue is a critical Model input assumption: that "but-for" the VEGI award, the recipient would not undertake, in whole or part, the promised economic activity. This so-called "but-for" test underlies all VEGI Model runs and all conclusions we offer herein regarding Model effectiveness with respect to estimates of net fiscal impacts to the State.

Although rigorously applied by the Vermont Economic Progress Council in evaluating applicants, the "but-for" test cannot be verified. It is largely based on the self-attestation of the applicant, with no means of independent confirmation. Because of this, the Model output in our

review is best thought of as "*theoretical* net State government revenue," with the assumption that in all cases, the "but for" tests are 100% accurate.

The estimation of theoretical net State fiscal impacts is the most direct objective of the Cost-Benefit Model and its structure is clearly aligned to this target. The overall model calculates both the increased State government revenues resulting from changes to employment, wages, and capital expenditures as proposed by business applicants and increased costs for State government.

In summary, the business inputs of employment, wages, and capital expenditures are translated by a state economic model provided by Regional Economic Models, Inc., of Amherst, MA (hereafter REMI) to yield changes in the following economic parameters:

- Total income
- Grand list increases from new construction and renovation
- Increases in consumer purchases
- Changes in population

These changes are then used in an external spreadsheet model to determine the changes in revenue for the:

- General Fund (increases in income taxes, sales and use taxes, and other taxes)
- Education Fund (increases in grand list values, and increase in sales and use and other revenues), and
- Transportation Fund (increases in purchase and use taxes and gasoline taxes)

This model component also calculates changes in government costs, largely based on the increases in population. Education costs are related to increases in school-age children, and General and Transportation Fund costs are based on overall population growth.

The Cost-Benefit Model uses estimated theoretical net revenue growth together with proposed changes in qualified employment to set VEGI award levels based on incentive payments over a period of up to nine years.

The basic Model construct has been in use for nearly 10 years. Although there have been many significant program changes, there have been only minor changes to the calculations as various model managers and others involved with model operation and oversight review the many mathematical relationships. In the experience of the current Model manager at ACCD, "none of those changes had impacts larger than 10% changes in incentive payment calculations and most of them were in the 1% range."

A more complete annual compilation of changes resulting from Model updates for use in JFC review and approval, as recommended by the JFO (see attached memo of July 25, 2106), is endorsed by the TWG. It is also assumed by the TWG that ongoing technical discussions between the VEGI Model manager and the Legislative State Economist will continue, in support of a thorough understanding by the JFC of proposed Model changes and their potential impacts on public finances.

There are dozens of variables that affect the use of the Cost-Benefit Model. VEPC has included the following in its recent communication regarding annual Model updates.

- Property Value Inflator
- Statewide School Tax Rate: Homestead
- Statewide School Tax Rate: Nonresidential
- State & Local Government Price Deflator
- Estimate Per Student Grant
- Estimated Special Education Per Equalized Pupil
- Vermont Estimated Population
- FY General Fund Expenditures
- FY T Fund Appropriations
- Corporate Revenue/Nonfarm Supervisory Job
- Per Capita Other General Fund Revenues
- Per Capita Other Transportation Fund Revenues
- State Personal Income Tax Rate
- State Sales & Use Tax Rate
- State Gas Tax Rate
- State MVP&U Tax Rate
- Three-Year Moving Average Bond Buyer Index

In general, given the uncertainty associated with the critical "but-for" assumption underlying the Cost-Benefit Model, the Model is effective in producing a reasonable estimate of the theoretical net change in State revenues. It is not possible to test the Model to verify that a particular level of increased business activity will lead to a specific dollar amount of net increased tax revenue.

From those observations, the TWG concludes that the Model is effective for this purpose, given the caveat regarding the importance of understanding critical Model input assumptions, and the theoretical nature of the estimates produced.

Determining the appropriate incentive amount

The current Cost-Benefit Model is not designed to evaluate whether any particular incentive payment is necessary to encourage business growth, since this is assumed prior to each Model run. A different research tool is necessary to determine if there are examples where companies have either been neglected by VEGI because incentive payments are not large enough to spur business growth or examples of companies that received incentive payments larger than were necessary to encourage the growth investments that they undertook.

The Technical Working Group, therefore, concludes that there is no model in place that is effective for this purpose.

Variables in the Cost-Benefit Model

Income tax effective rate – This figure is calculated each year from the revenues received and reported by the Department of Financial Regulation and the figure used in REMI as total income.

Sales tax base – REMI identifies dozens of household consumption items. Only some of them are subject to sales tax. The total consumption of these items is used as the base and the total sales tax revenues reported by the Department of Financial Regulation are used to determine an effective sales tax rate.

Property tax rates (both homestead and nonresidential) – These are established by the Legislature

Gasoline and Diesel Tax - The tax rate (percentage of dollar sales) is calculated from the current year tax revenues divided by the gasoline and diesel expenditures as assumed by REMI.

Population base – REMI uses projected figures to estimate annual Vermont populations broken down by age. These figures form a baseline. Changes to the economy represented by company inputs on wages, employment, and capital expenditures result in changes in population from the baseline calculated by REMI.

Inflation – REMI uses a standard set of inflation factors to determine future consumption expenses. Any economic growth represented by company growth results in price increases calculated by the REMI model. The resulting price increases result in a small reduction in consumption as a result of economic growth that counters the increase resulting from income increases in households.

Wages – REMI projects average wage for each industry sector. These values are used for the secondary and induced growth resulting from an applicant's increased wages, employment, and Capital Expenditures. The primary increase in wages is provided as inputs from the company application.

Government costs - General Fund, Transportation Fund expenditures – The Joint Fiscal Office publishes values for Expenditures in *Fiscal Facts.*

Education Fund costs – Costs for State government are the sum of the per pupil estimated block grant figure as determined by the Agency of Education. The Special Education amount is determined on a per pupil basis by dividing total special education costs as reported by the Joint Fiscal Office by the number of students reported by the Agency of Education.

Government cost inflation – REMI forecasts increases in costs for State and local government. These inflation factors are used to increase the incremental costs for government resulting from population growth.

Variables in the Incentive Calculation

Discount rate – Used to develop the present value of future revenue and cost streams. Determined by the combination of a three-year bond rate average and geographic variations to increase the discount for higher growth parts of the state and lower discounting for slower growth parts of the state.

This discount rate is varied for the different counties as a mechanism to provide regional differences in incentive calculations. Low growth counties have a discount rate decreased by 1% and high growth counties have a discount rate increased by 1%.

Background growth rate – As described in the next section, each business sector has a background growth rate used to ensure that any particular proposal is not provided incentive for first dollar investments.

Question Two: Whether the inputs to the Cost-Benefit Model should be adjusted for those applicants who assert that "but for" the incentive the scale or timing of the project would change

The current VEPC evaluation process for VEGI applicants assesses a business expansion project against an assumption that the project would not occur, or would occur in a significantly different manner that is significantly less desirable to the State, without the VEGI incentive. The significantly different cases include when, in the absence of the incentive, the company would do part of the project, would do the project on a slower schedule, would move the project out of State, or subcontract the work to a different firm.

However, in the Cost-Benefit Model, all additional growth in jobs/payroll (beyond a sector-based background growth rate) and calculation of net State tax revenues and fiscal impacts are entirely attributed to the VEGI incentive. This Model assumption is currently at variance with the extant VEGI applicant evaluation criteria and the "but for" attestation language required of all VEGI applicants, which affirms that without the VEGI incentive, the proposed project would either not occur in Vermont or would occur "in a significantly different and significantly less desirable manner." Just how "different" and how "less desirable" a project may be is entirely subjective and is not currently reflected in the Cost-Benefit Model process or calculations. Because the Model is assuming no activity in the absence of an incentive award, it is overstating the benefits from any project that would have happened in a significantly different manner without the incentive.

Technically, it would be possible to custom-adjust the baseline forecast in the VEGI Model to account for an alternative (no incentive) project scale or timing variation, and compare that scenario to the full project (with incentives) as submitted in the VEGI application. The "alternative baseline forecast" would reflect an alternative (without incentive) project scale or timing, and would replace the current Model's control baseline forecast. In evaluating this change to the Cost-Benefit Model, the TWG assumes that any alternative baseline forecast would track higher than the Model's control baseline forecast.[1] This is because the only change to the control baseline forecast would be for some part of the additional investment to occur in the absence of the award or any such investment to occur at some later time, or both. This alternative baseline forecast would represent an additional step in the application process and would create a fair amount of complexity for both applicants and program administrators in establishing and monitoring a custom baseline forecast scenario in addition to the project scenario.

Although this measure could serve to lower incentive award costs to the State, the values provided for the alternative baseline forecast would be entirely at the discretion of the applicant, with no means of verification or validation. Thus, they suffer from the same potential bias as the "but-for" test.

[1] It would be possible for an alternative baseline forecast to track below the control baseline forecast. This creates a policy question outside the scope of the TWG related to the intent of the program because a lower alternative baseline forecast would increase the award amount, creating a net negative fiscal outcome.

The TWG was not unanimous on the advisability of implementing this change – only that it is technically feasible to do so if the Legislature so chooses. The primary arguments against implementation are connected to significant additional applicant and administrative complexity. The primary arguments for are associated with potential public expenditure savings – though these are likely to be small, due to the optional nature of applicant use and the subjective nature of the applicant's attestations regarding project size, timing, and the importance of public subsidization of the subject investment.

Another option discussed to reconcile the disconnect between the "but for" attestation language and Model input assumptions would be to eliminate the language that allows projects to qualify for an incentive award if they would have otherwise happened "in a significantly different manner." If this were the case, only projects that an applicant attests would not have happened "in whole" without an incentive would qualify for an incentive award. Some on the TWG, including those who have had first hand experience with the applicant screening process, felt that this would cause applications to decline significantly, since many applicants admit that some part of a proposed project would, in fact, occur in the absence of an award. They feared that any such decline in applications could affect critical projects that would not be built to full scale as a result.

Question Three: Whether the Program can integrate the use of business-specific background growth rates in addition to, or in place of, industry-specific background growth rates; and, if industry-specific background growth rates are recommended, a methodology to review, calculate, and set those rates

Despite the best efforts of the Vermont Economic Progress Council to review VEGI applications in light of the aforementioned "but for" test, there is no way to verify whether a public subsidy is necessary or critical. In order to ensure that incentive payments are not larger than what may be needed to encourage business growth, several mechanisms were designed into the original Cost-Benefit Model to discount growth that might have occurred without public incentives. The intent of these mechanisms is to maximize the net State fiscal gain from the incentive program as a whole. The so-called "background growth rate" is one such discount mechanism that varies by industrial sector, and was initially set by reviewing long-term wage and salary growth in various industrial sectors. Unlike some variables in the Cost-Benefit Model that are updated annually, this discount rate has not been changed since 2009. It is currently based on long-term wage and salary growth rates calculated between 1990 and 2007, and varies by REMI industry sector from a minimum of 0.0% for the slowest growing (or declining) industries and a maximum of 6.9% (capped at 1.5 times the average private sector growth rate) for the most rapidly growing sectors.

Although the TWG believes the VEGI program has generally functioned well over the past 10 years, three concerns regarding the "background growth" discount rates were discussed:

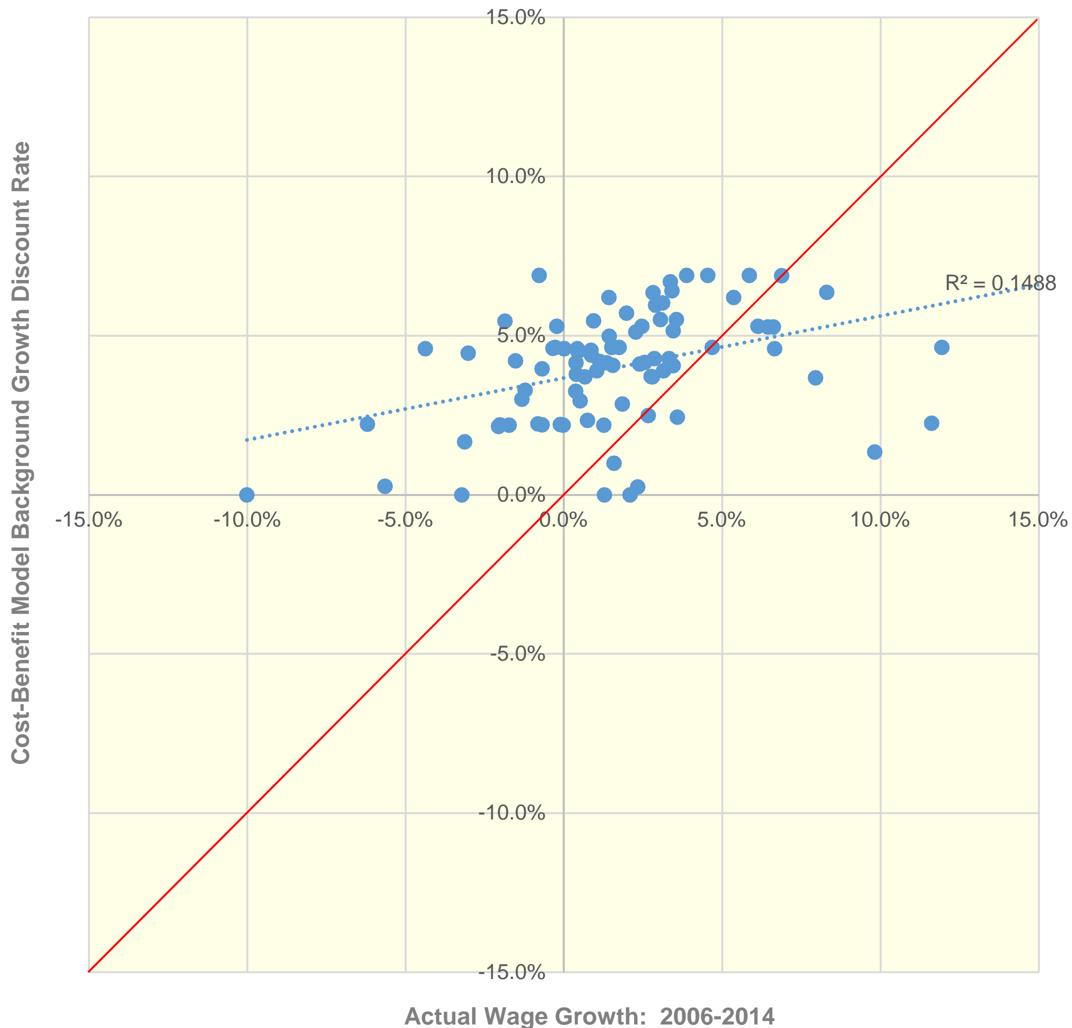
1) The growth differential between industries in a small state such as Vermont can be heavily influenced by a small number of firms. This can create significant volatility in growth rate differentials, depending upon the time period chosen. It is also not clear that it is in the public interest to advantage or disadvantage certain investments simply because they happen to be in slower or faster growing industries. Thus, the advantages and

disadvantages the current discount rates afford firms in different industry sectors are somewhat arbitrary.

2) For some of the same reasons noted in the above point, and others, future industry growth differentials can vary significantly from historical long-term differentials. The following scatter plot shows actual 2006-2014 growth relative to those used in the Model between 1990 and 2005. Although the former period includes the recent severe recession, and would thus be expected to be generally lower than the comparison period (all dots to the upper left of the red line bisecting the chart), the distribution by industry is largely random, as indicated by the low trend line correlation. Future growth rates are currently anticipated to be generally lower than the 1990 to 2007 period due to both lower inflation and slower real growth expectations.

3) The use of any growth differential as a discount mechanism may disadvantage larger firms, since their bases are larger, and percentage growth achievement may be correspondingly more difficult.

VEGI Cost-Benefit Model Background Growth Discount Rate (Vertical Axis) and Actual Wage Growth 2006-2014 (Horizontal Axis) by REMI industry sector



It should be noted that the 2006 Technical Working Group that originally designed the existing "background growth" discount rates had not intended to measure actual industry or company "background growth" (i.e., growth that would have occurred in the absence of a public subsidy) during the period of award receipt. Because of this, the measures were not constructed using forecasted values of either future wage and salary growth by industry or any individual company's likely future performance in the absence of an incentive.

They were intended as sector-specific differentials that represented one of several VEGI program features designed to help limit public exposure to fiscal loss from the program and increase the possibility of net fiscal gain to the State. The notion associated with development of this discount rate at the time of program conception was that "the first dollar of investment should not be incented." By balancing program award expenditures with discounts in the Cost-Benefit Model, rigorous accounting of both benefits and costs in the Model, overall program caps and strict program compliance and oversight, it was believed that the program would have the best possible chance of net State fiscal neutrality.

After evaluation of the question posed and the related source data and program objectives, the TWG did not reach a unanimous recommendation in response to Question 3 or to the three concerns discussed. The perspectives and recommendations voiced in connection with these issues included:

1) Make no changes at this time, since the program is working reasonably well as now configured. This position felt that differential support by industry sector had economic value to the state and should be preserved. Updating consideration should only occur when a clear business cycle peak has been reached and an additional cycle can be added to the long-term growth rate. This could require waiting for a number of years until the next cyclical peak is definitively identified.

2) The Group was unanimous in believing that accurately estimating business-specific "background growth" discount rates for use in a future seven-year award period could be very labor-intensive, add to program cost and complexity for both applicants and program administrators, and require subjective judgments that could open the program to criticism. None felt that VEPC could or should attempt to perform this function with internal resources. Some felt this program change could decrease program participation by generally raising the discount rate, but if it were to lower the rate for a particular company in a particular industry, it could have the opposite effect and could increase program participation.

3) Keep the existing overall private sector "background growth" discount rate (about 4.5%) or a rate based on 1990 to 2015 growth (about 4%) and either apply this equally to all applicants, or vary slightly (such as plus or minus one or two percentage points at most), based on one or more individual characteristics that are consistent with program objectives. These characteristics could include industry sectors (possibly redefined with larger industry aggregations), if considered a program goal; regional variation, which already has program differentials in place, but with little apparent effect; company size; and/or other characteristics consistent with program goals.

4) Use Bureau of Labor Statistics (BLS) and/or Moody's Vermont State employment, wage and inflation forecasts, which are also used in other state forecasting activities, to generate projected future wage and salary growth for the private sector as a single discount rate that

varies over time, by several larger industry subsectors, or both. The overall single rate benchmark could be the same as is now used as the all-industry private sector "background growth" discount rate (4.6%) or some other rate. Annual updates of these values could then be performed with the regular Cost-Benefit Model update. This would have the benefit of being based on an unbiased outside source, allow regular updating, and possibly capture slight changes during both recessionary and expansionary periods, to the extent they were accurately forecast.

Question Four: Whether differential rates in annual average wages or annual average unemployment, defined by labor market area, are appropriate triggers for an incentive enhancement for projects located in, or lower wage threshold for jobs created in, qualifying labor market areas, and whether the margins of error in annual labor market area wage and unemployment rates are within an acceptable range of tolerance for this use.

The foci of this question are the metrics used to determine whether a proposed project area should qualify for an alternative wage threshold or an enhanced award. The alternative wage threshold was added by the Legislature in 2014. The award enhancement is a carry-over from the EATI program that was the precursor to VEGI. There are two parts to the question – are the metrics appropriate? and are the metrics reliable considering known information about error rates?

Reduced Wage Threshold – Background Information

Within the current VEGI program, generally speaking, only newly created jobs paying at or above 160% of the State minimum wage are considered eligible for an incentive. The exception to this is if a project is proposed to locate within predetermined areas thereby reducing the wage threshold to at or above 140% of the State minimum wage. The inclusion of this exception was a policy decision to recognize the variability of economic opportunities across the State or potentially to encourage employers to expand in more economically disadvantaged areas, or both.

Areas are defined by Labor Market Areas (LMAs) which are federally established by the Office of Management and Budget (OMB). Current LMA definitions can be found online at: http://www.vtlmi.info/lmadef2015.pdf. The criteria for determining whether an LMA qualifies for a reduced wage threshold are based on a comparison between the annual average unemployment rate for the state versus all the LMAs. If an LMA has an annual average unemployment rate greater than the stateside average for the same time period, the area qualifies for the reduced wage threshold (i.e., 140% of State minimum wage). All LMAs with an annual average unemployment rate equal to or lower than the statewide average for the same time period do not qualify for a reduced wage threshold. In these LMAs, only proposed employment opportunities paying at or above 160% of the State minimum wage are qualified to receive an incentive. The annual determination for the areas is completed annually once the previous year's annual average unemployment rate data are made available – typically in March. Unemployment rate data can be found online at: http://www.vtlmi.info/labforce.cfm.

The TWG has reviewed the appropriateness and reliability of the metrics involved in determining areas eligible for the reduced wage threshold. The past five years (2012-2016) of

determinations were reviewed as part of this deliberation. Here is a summary of the points discussed:

- The unemployment rate is a reasonable and consistent metric for assessing the general economic condition for an area.
- By using the unemployment rate (versus an average industry wage) for an area, the focus on available labor (unemployed persons) is more consistent with the intent of the VEGI program which is considered a “jobs program.”
- The unemployment rate comparison excludes a greater number of areas to be eligible for a reduced wage threshold (between 4 and 6 over the past 5 years) versus an annual average wage comparison which would consistently exclude the same three areas (VT part of the Lebanon LMA, the Burlington-South Burlington LMA, and the Barre LMA).
- The error rate associated with the unemployment rate is only available for the statewide metric. As confirmed with U.S. Bureau of Labor Statistics partners, error rates for the unemployment rate for LMAs are not available. The inclusion of an error rate into the determination could either increase or decrease the number of eligible areas depending on how the metric was incorporated.

Conclusion: It is the recommendation of the TWG that using the annual average unemployment rate to determine whether an area is eligible for a reduced wage threshold is both appropriate and reliable. The inclusion of an error rate into the annual determination is not merited from a technical perspective. Therefore, no technical changes are proposed. This recommendation is silent on any proposed changes based on public policy which could decide to increase, decrease, or eliminate any preferential treatment of LMAs determined to be in greater economic distress.

LMA Enhancement – Background Information

In approximately June of each year, an annual determination is performed to determine areas of the State which would be eligible for an “enhanced” award amount. The final decision to enhance or not enhance an award tied to a project in an eligible area is at the discretion of the VEGI Board. An enhanced award increases the initially proposed award amount by allocating all or a portion of the calculated excess revenue benefits of the proposed project from the State to the applicant. As previously stated, an enhanced award amount requires the approval of the VEGI Board.

Unlike the alternative wage threshold, which is based on an annual determination considering only annual unemployment rates, the LMA enhancement annual determination considers the annual average unemployment rates and includes annual average wage by LMA. Specifically, to qualify for the possibility (again it is not automatic; final decision is made by VEPC) of an enhanced award, an LMA must meet one of the following two criteria:

- the annual average unemployment rate for the LMA is greater than the statewide average for the same time period **OR**
- the annual average wage for the LMA is lower than the statewide average for the same time period.

By meeting one of these criteria, an LMA is qualified for the possibility of an enhanced award for projects proposed within the region.

The TWG has reviewed the appropriateness and reliability of the metrics involved in determining areas eligible for an enhanced award. The past five years (2012-2016) of determinations were reviewed as part of this deliberation. Over the five years of analysis, the same three LMAs are the only areas to have not met the second condition related to annual average wage. For the past five years, the VT part of the Lebanon LMA, the Burlington-South Burlington LMA, and the Barre LMA have annual average wages above the statewide metric. Therefore, all other areas qualify for a potentially enhanced award amount based on the second criterion alone as only one of the criteria must be met (an OR versus an AND). The Barre LMA did qualify for a potentially enhanced award amount in 2012, 2013, and 2014 based on the unemployment rate criteria. In 2015 and 2016, with both a lower annual average rate of unemployment and a higher annual average wage versus the State, the Barre LMA did not qualify for the enhancement possibility. Had an error rate been incorporated, it may have influenced the Barre LMA's eligibility in these two years depending on the manner in which it was incorporated. For the enhanced award criteria, no other LMA would have been impacted due to the inclusion of an error rate.

Conclusion: It is the recommendation of the TWG that using the annual average wage rate and the annual average unemployment rate to determine whether an area is eligible for a potentially (requires board approval) enhanced award amount is both technically valid and reliable. The inclusion of an error rate into the annual determination is not merited from a technical perspective. No technical changes are proposed. This recommendation is silent on any proposed changes based on public policy which could decide to increase, decrease, or eliminate any preferential treatment of LMAs determined to be in greater economic distress.

Final remarks: The above recommendations have looked at the metrics used to determine eligibility for the reduced wage threshold and an enhanced award in isolation. Taking a step back, the TWG acknowledges from an administrative standpoint, it would be easier to have the annual determination criteria for the two program variations the same. It would require a public policy discussion and decision to decide if the annual determination criteria needed to be aligned as it would impact the regional incentives/disincentives of potential projects.

Appendix – Statutory Charge

2016 Act No. 157 An act relating to miscellaneous economic development provisions

Sec. H.14. VERMONT EMPLOYMENT GROWTH INCENTIVE PROGRAM; TECHNICAL WORKING GROUP REVIEW

(a) On or before August 15, 2016, the Joint Fiscal Committee shall convene a Vermont Employment Growth Incentive Program Technical Working Group that shall consist of the following members, as designated by the Committee:

(1) the legislative economist or another designee from the Joint Fiscal Office;

(2) a policy analyst from the Agency of Commerce and Community Development;

(3) an economic and labor market information chief from the Department of Labor; and

(4) a fiscal analyst from the Department of Taxes or the State economist.

(b) The Group shall review the following questions relating to the Vermont Employment Growth Incentive Program:

(1) whether the cost-benefit model is effectively utilized;

(2) whether the inputs to the cost-benefit model should be adjusted for those applicants who assert that but for the incentive the scale or timing of the project would change;

(3) whether the Program can integrate the use of business-specific background growth rates in addition to, or in place of, industry-specific background growth rates; and, if industry-specific background growth rates are recommended, a methodology to review, calculate, and set those rates routinely; and

(4) whether differential rates in annual average wages or annual average unemployment, defined by labor market area, are appropriate triggers for an incentive enhancement for projects located in, or lower wage threshold for jobs created in, qualifying labor market areas, and whether the margins of error in annual labor market area wage and unemployment rates are within an acceptable range of tolerance for this use.

(c) On or before January 15, 2017, the Group shall submit a report of its findings and conclusions to the Joint Fiscal Committee, the Vermont Economic Progress Council, and the House Committees on Commerce and Economic Development, on Ways and Means, and on Appropriations, and to the Senate Committees on Economic Development, Housing and General Affairs, on Finance, and on Appropriations.