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Memorandum

To: Steve Klein, Chief Fiscal Officer, Joint Fiscal Office
From: Tom Kavet
CC:
Date: September 12, 2017
Re: Review of Proposed VEPC Cost-Benefit Model Update

As requested, I have reviewed the memos of September 12, 2017 from Fred Kenney and Ken Jones sent to you today that describe proposed model changes to the VEPC Cost-Benefit Model used to calibrate business award levels as a part of the VEGI program.

Although this is usually a routine review and update approval process by the Joint Fiscal Committee, one aspect of this update, the testing of a new REMI model, which underlies most of the Cost-Benefit Model calculations, revealed potential problems that we are still investigating with REMI economists and programming staff. Because of this, VEPC has agreed to use the current REMI model until such time as we can resolve all model issues that may affect the integrity of the Cost-Benefit Model estimates. We are working closely with Ken Jones, ACCD Economic Research Analyst, in this process.

Accordingly, the model changes proposed in the two memos from VEPC represent no changes to the underlying REMI model and consist only of the utilization of more recent data from Consensus JFO and Administration economic and revenue forecasts, State expenditures, updated discount rate data and Tax Department rate information for selected taxes. All of the proposed changes in Ken Jones' memo are regular annual model updates that will improve model output and should be approved.

Please let me know if you or others have any questions regarding these changes or the ongoing remedial work with REMI in connection with the VEGI Cost-Benefit Model.