

2022 VEGI LMA Enhancement Request

Joint Fiscal Committee

Graham Campbell, Senior Fiscal Analyst

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What is VEGI? In Brief

- The Vermont Economic Growth Incentive (VEGI) program provides incentives to businesses to recruit and expand payroll and capital investment
- Created in 2007
- Incentive based upon the Net Revenue Benefit to the state
 - A calculation completed by the VEGI Cost Benefit Model
 - Benefits to the state must exceed the costs
- Incentives paid out over 5-year periods based upon meeting payroll and investment targets
- Annual cap: \$10m for final approvals, \$15m for initial approvals
 - Can be increased by the Joint Fiscal Committee by \$5m



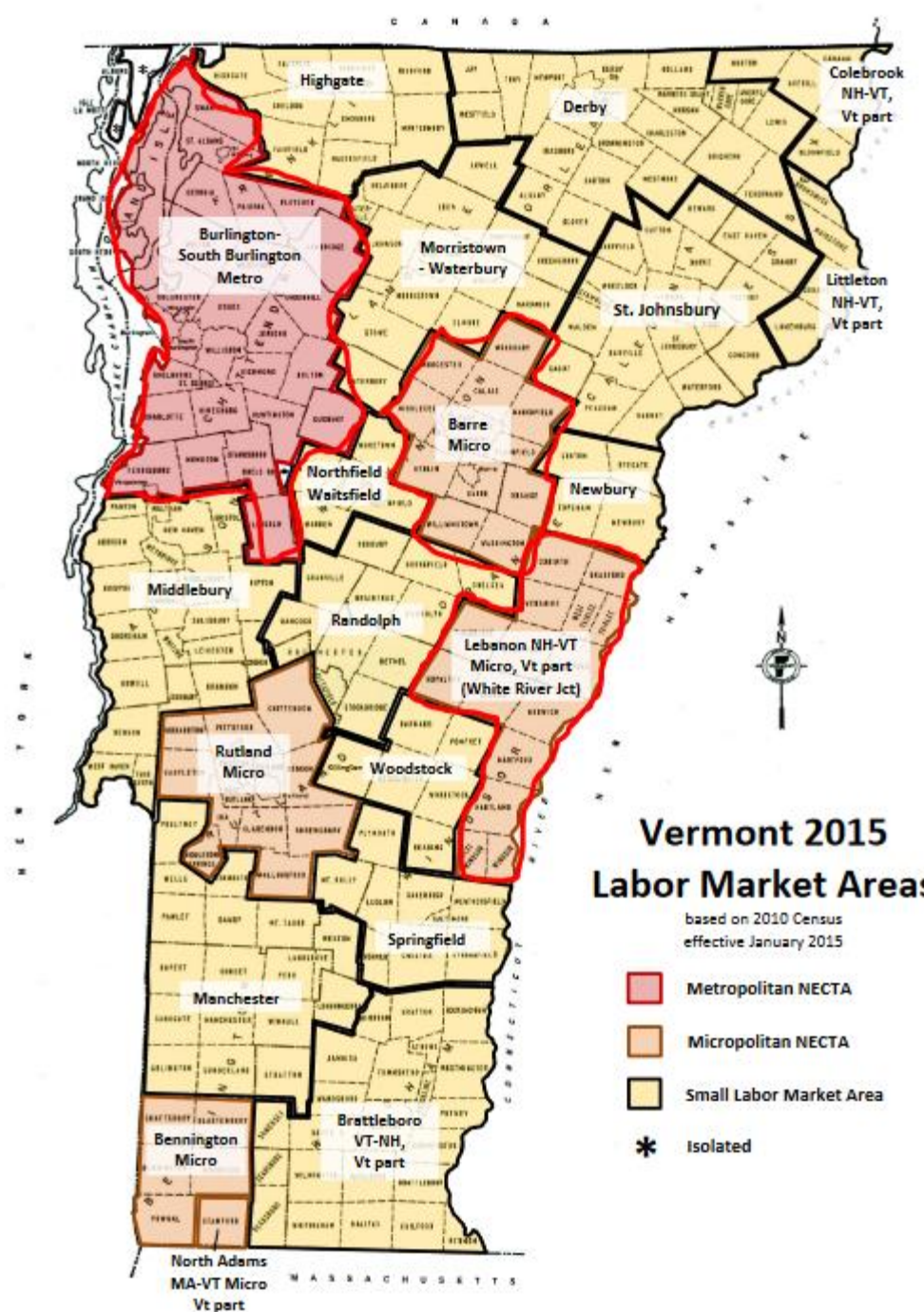
VEGI Labor Market Enhancements

- A Vermont business can receive additional incentive up to the remaining Net Revenue Benefit if it is in an eligible Labor Market Area
 - LMA is a designation of a geographic area by the Bureau of Labor Statistics
 - An eligible LMA for enhancements is one with either higher than state average unemployment or lower than state average wage
- No specific formula determines size of enhancement aside from remaining Net Revenue Benefit and annual cap.
 - Applicants must apply and justify an enhancement.
 - VEPC uses its discretion after gathering more information from applicant
- Annual cap: \$1m in final approvals, \$1.5m in initial approvals
 - Can be increased by \$500,000 by the Joint Fiscal Committee



Eligible LMAs

- Not Eligible:
 - Burlington-South Burlington
 - Barre-Montpelier
 - Lebanon/WRJ
- Eligible: everything else



Additional Context LMA Enhancements

- **ACCD and VEPC are asking the JFC to use its statutory authority to increase the LMA enhancement cap by \$500,000 for CY2022 awards.**
- Since 2007:
 - \$5.365 million in enhancements across 31 applicants (average \$173,000)
 - LMA enhancement cap has been raised twice: 2015 and 2016
 - In a typical year, enhancements rarely approach the cap
 - In the 15 years VEGI has existed, LMA enhancements in any given year have only ever exceeded \$750,000 (or 75% of the cap) five times.
- LMA enhancements typically award 100% of the remaining net revenue benefit, but not always.
- Largest LMA enhancement: \$1 million to MTX Group



CY2022 LMA Enhancement Context

- In CY2022:
 - VEPC has awarded two LMA enhancements worth \$1.16 million.
 - \$1 million to Ivy Computer of Waterbury, approved in December 2021
 - \$160,473 to Simon Pearce of Windsor, approved in June 2022
 - VEPC is aware of one potential future applicant who may be eligible for LMA enhancement.
- Enhancement to Ivy Computer was 100% of Net Revenue Benefit, 100% of the final approval cap
 - Made early in the calendar year, forgoing the space for future applicants without JFC approval unless Ivy Computer doesn't finalize award.
- In 2021, VEPC awarded LMA enhancements beyond the LMA cap, but one applicant did not finalize its application in November 2021 so JFC was not needed.



JFC Considerations

- 32 V.S.A. § 3441(d) and (e) requires JFC to review whether increasing the cap will generate a net fiscal benefit to the state.
 - Part of this review involves looking at applicant information, the revenue forecast, and the budgetary environment.
 - JFO and its agent have not reviewed 2022 applicant information to date.
- JFC may also consider additional areas with respect to the request:
 - *2022 applicants*: justifications about the size and timing of each firm's 2022 LMA enhancement, and the state's net fiscal benefit.
 - *The LMA enhancement approval process in general*: how VEPC manages award enhancements while facing the cap during the calendar year.
 - Implications for 2022 awards if JFC does not make changes to the LMA enhancement cap and how this would affect awardees and their plans.

