



November 1, 2016

Mr. Fred Kenney
Executive Director
Vermont Economic Progress Council
1 National Life Drive, Davis Building, 6th Floor
Montpelier, VT 05620-0501

Dear Mr. Kenney:

Please enter these comments in response to the Vermont Economic Progress Council (VEPC) policy review of the Vermont Employment Growth Incentive (VEGI) programs. This includes comments on questions 1-3 and 5-7.

The Vermont Chamber of Commerce continues to be supportive of the VEGI program as one strategy to encourage economic growth in this state. This type of economic development tool is needed if you take into account the information provided on the Economic Dashboard at [the Vermont Futures Project](#) relating to economic activity and growth.

- The [job creation rate](#) in Vermont is recovering from the recession, but has yet to meet the national rate. Additionally, the growth rate of employment in and around [Burlington](#) [skews](#) the employment growth rate higher. From January 2009 to 2014 the state's employment moved from 301,400 to 308,900, but during the same period employment gains outside of Burlington accounted for only a few hundred jobs overall.
- [This data](#) shows the growth in number of businesses between 2005 and 2013. Vermont ranks 7th for people working for a small business, but we need startups that mature, and small companies that grow. In the 1990s Vermont added 2-3% annually to the number of mid-sized businesses, but during the recession we lost 3% of our mid-sized employers and recovery still lags. We must improve the rate of formation, retention and growth of firms to secure our future employment base and restore a dynamic business environment.

Because of this data, we believe in retaining the VEGI incentive program and overall, the Vermont Chamber is reluctant to make changes to this program. It has been frequently adjusted, audited and studied for many years with the outcome continually being an endorsement that this type of incentive is needed. Businesses need consistency, predictability

and simplicity to access government programs and we would recommend making policy changes less frequently to accomplish those goals.

The goal of VEGI is to increase the number of jobs and capital investment across the state in various industries. This matches the State's overarching goal to increase the number of businesses both large and small to allow for that job growth. The program is well designed to ensure that these are well paying jobs with decent benefits, so as to provide an incentive that matches the State's goals as stated in the Comprehensive Economic Development Strategy (CEDS).

The other key benefit to the State is that there is no appropriation and therefore no risk to the State if the VEGI recipient doesn't perform the level of job creation and capital investment that was promised.

Below is the Vermont Chamber input regarding the specific policy questions set forth in Act 157, Section H.13.

1. Enhanced Incentives

We support maintaining these enhanced investments in the environmental technology sector. The whole concept is to provide a meaningful incentive to grow these businesses and as that goal is reached, the State should continue to provide the incentive to encourage more growth. The CEDS refers to this as a Target Economic Sector where the State should focus its deployment of their limited capital and human resources. Clearly, this program should be aligned with the CEDS which was adopted in 2014.

2. Equity Investments

We do not support a change in the law to allow the State to own equity investments in Vermont companies and we do not consider the VEGI incentive as an equity stake in the companies. The State takes no risk when offering the incentives; instead the State receives significant ongoing revenue from the job growth through payroll taxes, corporate income taxes and other applicable revenue sources.

We also don't believe owning equity in private business is an appropriate role of State government. Equity investing is a high risk business, hence the high returns when something works as planned. Even banks don't usually engage in this activity because they cannot afford or mitigate the risk and protecting their depositors' dollars is their primary mission, much like the State government protecting the citizenry that paid taxes for government services. When examining the equity markets, only people with significant capital tend to invest in equity plays because they can afford the loss when it occurs.

It is difficult to support the use of citizens' tax dollars to invest in high risk investments. The success of choosing the best companies to invest in is not easy and requires substantial resources to assess. The probability of success rests not only with who runs the business and how, but it is also dependent on the external factors including demand, interest rate, economy,

competitors and more. A significant regulatory function would need to be created if this were to occur, one with expertise to assess the investment, conduct the due diligence and avoid risk. Who would determine what percent of State dollars would be invested? What would happen when the State loses money on an investment? Will there be a third party making the investment decisions and how is that decided? We believe the State should not be in the business of picking winners and losers in the private sector but instead build a strong foundation with appropriate regulations and a fair tax structure to facilitate business growth.

3. Recapture

VEGI is an incentive program in which a company keeps a portion of the revenue they generated if they fulfill the employment gains and capital investment stated in their application. The only way for a company to access this incentive is if the Tax Department approves their activity. Once the activity is completed, the company has fulfilled the contract. To suggest that the State should recapture these incentives would suggest that the company did not meet the contract parameters. The Tax Department has the current authority to approve or reject these incentives so no further recapture is needed. Even in the event of a company moving out-of-state, decreasing employment or becoming acquired by another company, they did meet the growth incentive as dictated in the agreement and therefore spurred growth during that time period. Employment creation and destruction is a natural part of a business cycle. It is a rare company that only grows year after year instead many experience ups and downs throughout their existence.

4. Compliance with laws

We support the concept that companies receiving State incentives should be in compliance with Vermont laws. Any process developed to ensure this should be simple and should not complicate an already rigorous application process.

5. Targeted growth business

We support the incentive being available for all businesses because it's difficult to predict where the growth will occur. Vermont examples of fast growing businesses that weren't immediately obvious are Keurig Green Mountain, Dealer.com or even Darn Tough Socks. All of these are Vermont success stories. We believe having a strong incentive program for job creation and capital investment is the key to economic development by allowing all companies to take advantage of it to reach the desired outcome.

6. Small business

We are supportive of making this program more accessible to more businesses, however the way VEGI is structured tends to attract applications from larger businesses. Perhaps an additional incentive program structured differently for the small businesses might be worth exploring instead of bending VEGI to fit all scenarios.

7. Data reporting

While transparency is a laudable goal for State government it's important that any new reporting requirements balance the need for keeping private company information confidential.

8. Quantify benefits – no comments at this time

Thank you for tackling this comprehensive policy review and for supporting economic growth in Vermont.

Sincerely,

A handwritten signature in black ink that reads "Betsy Bishop". The signature is written in a cursive, flowing style.

Betsy Bishop
President