

REP DAVIS 7/28/16

Fiscal Office discussion notes

- Issue with current language in that, as drafted, buyer of company would be responsible for paying back VEGI award and interest. It was proposed that the cost should be on the seller in order to maintain goodwill with purchasing entity that might be doing business in Vermont for the first time. This goodwill, as well as existing VEGI “claw-back” provisions, could help maximize in-state job retention and growth.
- One proposal could be to give the State a limited ownership interest over a 3-year period following the final VEGI award. This would effectively function as a stock option that the State could exercise if/when it desired. This could be limited only to larger VEGI awards over a certain threshold (i.e. over \$1 million award).
- Issue with the actions above:
 - This may be difficult for privately held businesses that would need to have costly business valuations performed prior to a VEGI award. Limiting this to larger awards, where the companies are more likely to be public, may be an argument for a threshold.
- As VEGI is due to sunset on Jan. 1, 2017 it may be appropriate to extend for a certain period of time and have some sort of evaluation done, either to look at the benefits/costs of VEGI exclusively or to compare it with other potential economic development actions.
- Previously, the Auditor’s office was statutorily charged with evaluating the VEGI program on a biennial basis (per 32 VSA § 163(10)). This requirement was repealed in 2012. It might be appropriate to re-establish this performance audit to evaluate the effectiveness of VEGI prior to renewing it. Currently there is no statutory authority for any group to evaluate VEGI.
- Discussion touched on the potential for some means of further helping very small and start-up businesses, those that may not have the means to fill out all of the necessary paperwork to receive VEGI benefits. One approach could be an exemption from various business taxes for a period of time or until a firm grows to a specified size. Money needed to fund this could come from shifting VEGI money over to this program or by small increases to larger businesses/companies in other areas. It was noted that very little corporate revenue now comes from small in-state firms.