

## VERMONT EMPLOYMENT GROWTH INCENTIVE LMA INCENTIVE ENHANCEMENT

When considering VEGI applications, the VEPC Board has the discretion to increase an incentive amount if a project will occur in an economically distressed region of the state. The eligible regions are determined annually by the Vermont Department of Labor using unemployment and wage data by Labor Market Area. To determine if the location of your project is in an eligible LMA, click [here](#).

Utilization of the enhancement is capped for each calendar year (total aggregated amount of incentive increase due to the enhancement for all application in a calendar year). Also, for each dollar the incentive is increased under the enhancement, the estimated net revenue return to the State of Vermont is decreased by roughly a dollar. Therefore, the Council utilizes the enhancement prudently, employing it for projects that will result in extraordinary and/or increased benefits to the State that are in addition to the job creation and incremental revenue generated by the project.

In addition to the statutory geographic limitation, the VEPC Board has established a set of criteria which will be considered, in addition to a justification offered by the applicant for the incentive increase, to determine if the enhancement should be utilized and at what level the enhancement can be approved.

**Statutory Citation:** 32 VSA §3334:

***ENHANCED INCENTIVE FOR A BUSINESS IN A QUALIFYING LABOR MARKET AREA***

*(a) The Council may increase the value of an incentive for a business that is located in a labor market area in which:*

*(1) the average annual unemployment rate is greater than the average annual unemployment rate for the State; or*

*(2) the average annual wage is less than the average annual wage for the State.*

*(b) In each calendar year, the amount by which the Council may increase the value of all incentives pursuant to this section is:*

*(1) \$1,500,000.00 for one or more initial approvals; and*

*(2) \$1,000,000.00 for one or more final approvals.*

*(c) The Council may increase the cap imposed in subdivision (b)(2) of this section by not more than \$500,000.00 upon application by the Governor to, and approval of, the Joint Fiscal Committee.*

*(d) In evaluating the Governor's request, the Committee shall consider the economic and fiscal condition of the State, including recent revenue forecasts and budget projections.*

*(e) The Council shall provide the Committee with testimony, documentation, company-specific data, and any other information the Committee requests to demonstrate that increasing the cap will create an opportunity for return on investment to the State.*

**Statutory Geographic Limitation:**

Utilization of this authority is statutorily restricted to projects that will occur in labor market areas (LMAs) that are determined by the Vermont Department of Labor to have greater-than-state-average unemployment or below-state-average annual wages. Each year, the Department of Labor analyzes the unemployment and wage data for the previous calendar year and provides a report to VEPC regarding the LMAs that are eligible or not. VEPC staff will inform VEGI applicants if the project location qualifies the project for the potential enhancement and when the applicant completes a Pre-Application, the location entered in the application will indicate to the applicant whether the location is eligible. When VEGI Pre-Application estimates are provided, the incentive will be shown as normally calculated and the potential additional incentive that may be eligible under this enhancement. However, the enhancement is not automatically authorized. It must be approved by the VEPC Board during consideration of a formal Initial VEGI Application.

**Administrative Limitation Due to Cap:**

In addition to the statutory geographic limitation on the use of this authority, because the total enhancement allowed has an annual cap, the VEPC Board will only consider utilizing this enhancement for situations where circumstances warrant such use. Eligible applicants will be required to request the enhancement, provide justification for the increased incentive as part of their But For statement, and provide additional information that the VEPC Board will use to determine whether the circumstances warrant approval of the enhancement. The additional criteria the VEPC Board will consider include:

- Will the project result in extraordinary and/or increased benefits to the State that are in addition to the job creation and incremental revenue generated by the project?
- Will the project result in the reopening or avoid imminent closure of a business?
- Does the project involve a critical business operation upon which a community relies for employment or tax revenue?
- Will the project likely be a catalyst for business attraction and growth, or provide economic diversity to a region dependent on a single economic driver?
- Can the projects demonstrate substantial in-state business-to-business interactivity?
- Does the project plan to utilize an existing facility that is currently underutilized or is not being utilized?
- Has the applicant provided compelling evidence that the increased incentive is essential or critical to advancing the project in Vermont?

**Process:**

- Prior to consideration of an Initial Application (or Final Application if no Initial Application is filed), VEPC staff will advise applicants of the following:
  - Whether the project is eligible for the enhancement due to the proposed geographic location of the project;
  - What the potential increase in the incentive and decrease in the net revenue benefit to the state would be if the enhancement is considered;
  - What criteria the VEPC Board will review beyond the geographic location due to the cap on this enhancement; and
  - What additional information is required of the applicant to submit with their application and to present at the VEPC Board meeting.

- The cost-benefit modeling for any project that is proposed for an eligible geographic region will include a calculation showing the maximum incentive increase and the resulting decrease to the net fiscal benefit to the state, if the LMA Enhancement were to be utilized.
- The applicant will be required to supplement their application with information sufficient for the Board to determine if the LMA Enhancement is justified and the additional and/or extraordinary benefit the project will bring to the State.
- For any geographically eligible application, VEPC staff will include in the staff write-up to the VEPC Board, information and data quantifying the criteria that the Council will consider, a summary of the normal and enhanced incentive amount and net fiscal impact, a summary of the utilization to date of the enhancement against the annual cap, a summary of the applicant's justification for the enhancement, and a recommendation on whether, why and to what extent, the authority should be utilized.
- At the VEPC Board meeting at which the application is considered, the applicant will be required to provide a verbal justification of the enhancement.
- The VEPC Board will first vote on approval or denial of the basic incentive, and then, if approved, vote on utilization of the LMA Enhancement, and at what level.
- The potential increase in incentive amount under the LMA Enhancement would be in addition to the Green VEGI enhancement provided by 32 VSA §3335, if the applicant is also eligible for that enhancement.
- The amount of incentive that will be counted against the cap on LMA Enhancement approvals is the difference between the normal incentive calculation and the total incentive calculated using the LMA Enhancement authority.
- The aggregate of all LMA Enhanced approvals may not exceed \$1,000,000 in any calendar year, unless the cap is increased by the Joint Fiscal Committee.