DRAFT: POSSIBLE ECONOMIC STIMULUS PACKAGE:

Workforce:

A. Vermont Strong Scholars: Fully fund and implement immediately.

Outcome: More Vermonters stay here for college and beyond.

B. Enhance funding for the Vermont Training Program ($700,000)

Outcome: Lift the two year limit on companies creating jobs, expand the amount of workforce training we can do.

C. Implement VTech: Program that pairs employers with high schools and VTC to expand the number of students in the VAST (Vt. Academy of Science and Technology) program which enables high school seniors to take their senior year at VTC paid by Ed Fund. Students enrolling in engineering programs would be paired with an employer who provides an internship for the summer and pays for one semester of their second year. Vt. Strong Scholars picks up the second semester. Student has a two year engineering degree totally paid for and a job at the end.

Outcome: More students in engineering. Employers paired with students which builds a talent pipeline for the workforce.

D. Create a down payment assistance program for first time home buyers who are employed full time in Vermont where this is their primary residence. (See attached I)

Outcome: Opens home ownership to younger people who have college debt, enhances housing affordability, encourages first time home buying freeing up rental units.

E. Improve the Renter Rebate Program (final report of the program coming soon).

Outcome: Assists with renting for income eligible Vermonters (approx. $47,000 in income).

F. Enhance the Workforce Education and Training Fund at Labor. Add $500,000 and eliminate dual enrollment funding from that fund.

Outcome: Enables WETF to do more workforce training.

G. Enhance dual enrollment program. Keep at the same level, and/or grow as currently but fund it directly.

Outcome: Enables students to take college courses while still in high school. Enhances the number of students.

H. Recreate/expand the non degree grant program. Administer through VSAC.

Outcome: Enables more Vermonters to take certificate level programs for job training.

I. Create children's saving accounts to enable families to save for college. Patterned around the Maine program where a private foundation contributes $500 to a college savings account for every child born in that state. The data shows that children with college savings accounts are 4 times more likely to go to college than children without these accounts. The Poverty Council is interested in finding a way to develop a CSA program in Vermont.

Outcome: Move kids out of poverty, create savings for college, inspire first time college goers.

J. Marketing funding for "Great Jobs In Vermont" to promote the program beyond college alumni. Promote in social media, perhaps print or even display ads in Boston and other ripe markets.

Outcome: Drives traffic to "Great Jobs" and results in more applicants for hard to fill jobs statewide.

Entrepreneurship/Technology:

K. Eliminate the cloud tax.

Outcome: More favorable environment for businesses

L. Reinstate the 30% R&D tax credit (reduced last year).

Outcome: Encourages R&D, helps with GF.

M. Innovation and Commercialization incentive: (See attached II)

Outcome: More technology businesses and more commercialization of new ideas here in Vermont.

N. Expand VCET to Brattleboro and Bennington.

Outcome: VCET has a proven record of new entrepreneurial development. This creates two new locations in areas with stagnant or little growth.

O. Marketing dollars to promote Vermont as a technology state. “Tech in the Green Mountains” or some creative tag line that targets entrepreneur’s at engineering and other schools as well as tech companies.

Outcome: Promotes Vermont, enhances our tech image, builds on the success of Ello and other tech companies here.

Business Climate:

P. On the record review and other elements of DEC permits efficiency measures (David Mears).

Outcome: Faster, less costly and more efficient appeals.

Q. Enable reconsideration of limited criteria to the NRB (Ron Shems).

Outcome: Interim step before the expense of Environmental Court. More efficient.

R. R&D Tax credit enhancement (see above).

S. Decouple VEGI from minimum wage, ties to livable wage (like VTP).

Outcome: More employers are eligible, better geographic distribution of VEGI incentives, incentive for new investment.

T. Remove sales tax on servers purchased by businesses for a server farm or at their place of business. This exemption exists in NH and has resulted in the creation of server co-location spaces. MyWebGrocer’s server farm is at a NH server co-location space due to the savings.

Outcome: Incentives for server co-location spaces, saves money for tech businesses which we are trying to grow.

U. Harmonize federal accelerated depreciation schedule for M&E.

Outcome: Simplifies the tax because tied to federal depreciation schedule, incentive for investing in M&E.

V. Combine the Act 250 and local permitting process for new industrial parks and renovation of existing industrial buildings for re-use. Have district commissions consider local zoning regulations in their process. Make reviews on the record to facilitate more efficient appeals.

Outcome: Streamlines the process for these limited number of projects. More efficient appeals. Faster review.

W. Create databases at District Commissions for “ability to serve” elements of Act 250. Database includes schools that can accept new students with no impacts, electric utilities that can serve, soil types, known 1 to 1 ag mitigation areas,

Outcome: Saves those businesses applying to Act 250 from having to chase down these letters. More efficient streamlined process.

X. Implement a “in the best interest of Vermont” standard for state contracting that all things being equal, a Vermont business wins state contracts bids. Provide immediate, at bid opening, information on the bidder and the bid amount for state contracts.

Outcome: Gives Vermont businesses “first dibs” on state contracts where all other aspects of the contract are equal. Provides Vt. Business with immediate information on bid outcomes, vs. having to chase it down weeks and months later as is the case now. More transparency.

Y. Enable three more TIF’s. No magic to the number but more.

Outcome: Creates more opportunity for infrastructure development in support of new business and downtown development.

Z. Additional tourism marketing dollars: $500,000.

Outcome: Additional tourism revenue, greater ability to partner with chambers and others to promote Vermont and Vermont events out of state.

ATTACHMENT I
Working Families Initiative
Housing Element – DHCD Draft Proposal 11/3/14
Downpayment Assistance for First Time Homebuyers

Background:

Homeownership is an important source of gaining assets and establishing roots in a community. Low interest rates make now a good time to buy. National research shows millennials are as enthusiastic about eventual homeownership as other generations but are deferring their first home purchase. Reasons include:

1. the current tight credit requirements of lenders
2. high downpayment requirements
3. student debt
4. flat or falling incomes among younger households
5. high rental costs make it difficult to save

The draft statewide Housing Needs Assessment conducted by Bowen National Research found that the largest gap in for-sale housing supply is for units affordable to households with incomes between 95% and 120% of the average median household income. ($50,000 to $65,700). These represent working households. One of Bowen's seven recommendations is to support first time homebuyer programs for these and lower income households. Conducting an HNA and addressing unmet needs in support of economic development is called for by the Vermont Comprehensive Economic Development Strategy.

Many states fund downpayment assistance (DPA) programs with state appropriations. VHFA has occasionally offered DPA in the past but it was funded through premiums on higher rate loans and only those who could afford the higher rates could be served.

Proposal:

Down Payment Assistance Program (up to $5,000) for First Time Homebuyers structured as a 0% or a very low interest rate loan, subject to repayment upon resale or refinancing

For first-time homebuyers with household incomes at or below 120% of the area median income. Downpayment assistance loans would be made in conjunction with a first mortgage loan with VHFA to insure eligibility. Community lenders would originate the loans in coordination with VHFA. Because VHFA would be underwriting the loans, there would be no additional administrative cost.

Pay for it with an increase in the Vermont Affordable Housing Tax Credit. (Homeownership Tax Credits under 32 V.S.A. § 5930u). The credit would be expanded by $125,000 for five years.

Allow VHFA to sell these credits to create a DPA pool of funds. Selling $125,000 in credits would generate approximately $530,000- $550,000 in funding for down payment assistance, and would support approximately 100-110 homebuyers. Variables include, the market price of the State Credits (assumed at .85/1.00), with a tax credit to the investor for 5 years. (See attached for fiscal impact).

Run the program for at least 5 years, with $125,000 in State Credits provided each year. Total invested by the State will be $3.1 million, and should serve approximately 500 to 550 home purchase transactions. VHFA would retain loan repayments made at the time of sale or refinance to extend the program into future years.

ATTACHMENT II

INNOVATION AND COMMERCIALIZATION INCENTIVES

CONCEPT:

Provide incentives for investments in Vermont that retain and create new, well-paying research, design, and development jobs that perform R&D which results in the commercialization of products and services which are produced in or offered from Vermont.

ELIGIBILITY:

To be eligible, firm must be certified as an Innovation and Commercialization business by Secretary of Commerce which means:

- Business must have a primary business purpose to apply research, design, and development based on intellectual property, performed in Vermont, to the commercialization and production of tangible products in, or provision of services from, Vermont; and either:
  - Business does not currently have any R&D or production operations in Vermont and will either start-up in, relocate to, or expand into, Vermont;
  - Business has an R&D operation in Vermont and will add production or has production and will add R&D;
  - Business has both R&D and production in Vermont but will expand either by adding employment and/or making capital investments in Vermont; or
  - Business does not currently operate in Vermont but has acquired a qualifying entity which will be operated in Vermont.

LIMITATIONS:

- Tax credits earned and investments verified during the 3 years following certification.
- Tax credits cannot be applied or refunded during 3 year earning period.
- Earned tax credits applied to reduce corporate or personal income tax liability, or refunded, during the fifteen years following the three year earning period, with ability to carry-forward balance.
- The amount to be applied or refunded each year during the fifteen year period limited to 80% of tax liability or 1/15th of total tax credits, whichever is less.
- Tax credits subject to disallowance and recapture due to substantial reduction in full-time employment in Vermont.
- I&C incentives not available in conjunction with VEGI.

BASIS FOR COST ANALYSIS:

- Total of 6 companies certified as Innovation and Commercialization businesses during 3 year period (2 companies per year) with:
  - 270 employees (90/year) added during the three year period after certification;
  - $30 million additional Research and Development investment; and
  - $15 million in real estate improvements.
- It is further assumed that these added companies each do $20 million in sales annually.

INCENTIVE IDEAS:	**<u>ESTIMATED COST</u>**
Investing in People:	
• A $1,000 refundable tax credit for each new full-time employee added during the three years following certification.	$270,000

- Tax credit is $1,500 for each new full-time employee added that is an individual with a low income and participating in a public assistance program and/or long-term unemployed. +$27,000

- For applicants to the STEM incentive program who are employed by a company certified as an I&C company, the incentive payment to such employee increases from $1,500 per year to $2,250. (Represents total cost for this incentive, not additional cost) $1,518,750

Investing in Research and Development:

- An enhanced, refundable R&D Tax Credit, increasing the allowed percentage from 30% to 50% of the Federal credit amount for the three years following certification. $1.4M- $4.4M
  (Higher end of cost assumes additional R&D investments made because of incentive)

Investing in Vermont:

- An exemption from all sales and use taxes for the three years following certification for all purchases related to Vermont operations that are currently subject to sales and use tax. (M&E, electricity, fuel for non-manufacturing purposes) $144,000

- A refundable tax credit equal to 10% of the investments in machinery and equipment placed into service in Vermont during the three years following certification. $1.5 M
  - For machinery and equipment that is for renewable energy technology or energy efficiency investments, the tax credit is 15% $180,000

- A refundable tax credit equal to 5% of the first $50 million in expenditures for new or expanded facilities in Vermont during the three years following certification. $1.2 M
  - If new or expanded facility is LEED certified, tax credit is equal to 8%.
  - If new or expanded facility includes the remediation and redevelopment of a contaminated property, additional refundable tax credit equal to 20% of the remediation costs. +$900,000

Alternative idea: If certified, instead of tax credits based on certain investments, business or individual applies a special I&C tax rate (i.e. flat 3% tax rate) for the three years following certification. This would have a much larger hit on revenues during the 3 years rather than spreading out the revenue impact over 15 years.