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**Sent:** Wednesday, October 15, 2014 1:24 PM  
**To:** Miller, Elizabeth; Moulton, Pat; Noonan, Annie  
**Subject:** CONFIDENTIAL: UPDATED TALKING POINTS

## UPDATED IBM TALKING POINTS (WITH ANNIE AND PAT'S ADDITIONS)

### **General overview:**

Vermont is lucky to have a diverse economic employment base that keeps our economy steady, as we are not dependent upon a single industry sector. This broad-based economy allows us to maintain steady economic growth – and not subjected to significant fluctuations. Vermont does not trend in big dips or big recoveries.

We have diverse tools - VEDA support, Vermont Employment Growth Incentive, Vermont Training Program and Workforce Education and Training Fund, downtown tax credits; increased RDC/RPC and workforce support. For a small state, we have significant financial support from the federal government which we have been able to dedicate to critical infrastructure and to help our citizenry.

We've supported **projects** designed to drive economic development, such as City Center in Barre, numerous downtown efforts in St. Albans, restoration of the Brooks House in Brattleboro, and more.

We've strengthened public policy and increased **programs** for clean energy, farm-to-plate, new agricultural programs and markets, technology start-ups and other emerging businesses --- all with the goal of enhancing job development and increasing wages.

We were able to work with Vermont Yankee to arrive at a final agreement, making the decision to retire an aged and fragile plant while ensuring that the shutdown would be managed properly for the existing workforce, and agreeing to set aside millions of dollars for economic and clean energy support for the region.

We established a new Economic Development Department, a new comprehensive economic strategy, and more.

IBM attrition reflects global business decisions. Their jobs have steadily declined in the past decade, but the company is still an important part of the Vermont economic engine, seeding tech innovation and jobs.

The Governor's Office, Commerce, Labor and the Public Service Department have regular contact with IBM officials here and in New York. That has been a priority for the Governor. We have partnered with IBM on a solar tech initiative, Smarter Cities Burlington, and working on other tech/data/energy partnerships.

We routinely work with IBM on energy matters, such as rate cases and merger cases, high energy user.

We have been working diligently with IBM – in response to good news, such as their recent hiring initiatives, or in difficult times, helping with reemployment supports and programs for dislocated workers. We are very happy to see IBM again hiring, and we are helping them – as we do for all Vermont companies - find talent and encourage students to engage in study and internships that lead them to good paying jobs in Vermont, such as those in the “STEM” fields.

Sue suggests this paragraph comes out for now

~~This round of media and politics in the face of no news – WCAX camping out at GF; GBIC presser, etc, is counterproductive, hurtful to disruptive to employees and their families, makes Vermont look nuts, and isn't helpful when trying to encourage other businesses to come to Vermont. We have proven that we are ready to deal with the impact of changes if anything hits.~~

Since fall 2013 (after summer round of layoffs +400) we have discussed internally and with IBM whether there is more the state could do. This facility had a desire for relief flowing to its direct bottom line, but state was not interested in throwing good money after bad.

Energy savings: confluence of timing; lower rate, etc., allowed a deal that made sense without significant impact for others. That gave IBM predictability/stability and some savings.

We also looked at other incentives in the \$3 million to \$5 million range. Toward the beginning of the 2014 legislative session we had a suite of ideas. The Governor was engaged, and this was included in his Budget Speech.

IBM was not in a position to make any job guarantees, so the economic incentives did not go forward. We were not going to support incentives without an understanding that it would actually help retain or grow jobs.

Another round of layoffs (+100) in February. Reports of sale talks.

The emphasis shifted from direct facility support, where there was a risk of putting any state help on their balance sheet, only to see a sale occur and no job guarantees, to other ideas that would not be tied to the Essex facility directly and could be more flexible.

The Governor was successful in creating an “Enterprise Fund” to help with future needs of IBM, the IBM campus and other potential employers that can help create jobs. The \$3.5 million dollar fund remains a tool we can use to develop new opportunities.

### **Accomplished:**

Got through VEIF

Negotiated IBM/GMP/AARP/PSD/AIV agreement on 3 year rate freeze

These two in total are probably \$7 million or more in funds and cost-lowering support going to the facility (energy) or available to retain/grow jobs.

We have looked at many ways VEIF could be deployed, though it is too early to land anywhere and everything is preliminary. Many different ways that could be used, including campus support, ~~job training or direct worker incentive support~~, support for other jobs coming into the state, some "gap filler" for VEGI maybe, infrastructure support, tax relief.

VEGI is ready to go if circumstances warrant but they may not. That totally depends upon the scenario [note VEGI total annual allocations issue].

VDOL has deployed in response to IBM's needs. Rapid Response sessions and direct intervention with the dislocated workers, for reemployment assistance. VDOL filed for and successfully secured Trade certification on all the layoffs, including the affected contractors, which brought much greater resources to each dislocated worker than would normally be available. VDOL hosted a very large job fair (90 employers) and subsequently other/smaller job fairs for dislocated workers. VDOL just recently held a Job Fair in response to IBM's hiring needs (seeking 70 production workers, and additional numbers of engineers).

We don't speculate but know that any change at the plant could be good or bad for Vermont, both short term and long term. Long term stability through an owner with a core business in chips and ability to grow might in the short term mean turmoil and layoffs as business processes change, as well as a changing of the IBM Vermont identity.

However, IBM is a part of the Vermont fabric and we strongly believe it will continue to be, even if there are changes in manufacturing at Essex.

We recognize dollars are limited; this is a constant theme for this small state, and nothing has changed in that regard over these many years. But Vermont continues to not just survive but thrive. Education, quality of life, health, downtown vibrancy/smart development, skilled workforce and business success.

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### **Employment:**

- Vermont's unemployment rate (measured month of August) was 4.1 percent -- with Vermont the 5th lowest unemployment rate in the nation -- down from a high of 7.2 percent in '09.
- 7,800 jobs added since January 2011.
- Vermont has added 199 businesses and 2,162 jobs in the ag/specialty food sector since 2009
- Since December 2010, Vermont has added:
  - 1,400 jobs in Manufacturing
  - 2,800 jobs in Professional & Business Services
  - 1,400 jobs in Professional, Scientific and Technical
- Solar Foundation rates Vermont first for solar job creation per capita (1,000 jobs in 2013)

- Vermont was recently ranked the most energy efficient state
- Clean energy jobs report show significant job growth in that industry in past three years with more predicted ahead
- The overall number of farms in Vermont has increased by 5% in the last five years
- The overall market value of Vermont agricultural products sold has grown 15% in the same time period

### **Development:**

Burlington: Named one of the top 10 most promising tech hubs by [Techie.com](http://Techie.com)

Stowe: \$80 million Spruce Peak adventure center expansion to start this spring. Projected to generate 800 jobs, including 200 full time. Will include 2 restaurants, club house and ice rink.

Wilmington: New \$21 million, 80,000 sq. foot club house is scheduled to open in November at the Hermitage Club. 250 families have purchased memberships (\$35,000 apiece). Master plan calls for 100 luxury homes and \$15 million hotel

St. Albans and Barre: Passed bonds totaling \$15 million for infrastructure improvements that will lead to job creation and business expansions

Morrisville and Newport: Projected airport expansions and EB-5 development

Brattleboro: Brooks House Hotel \$24 million dollar redevelopment for commercial, education and residential use.

Dover: Mt. Snow undertaking a \$50 million dollar base area renovation and new snow making pond.

### **Business Growth:**

Kaman Composites: Recently awarded contract valued at \$60 million to build Boeing 747 parts at four plants. Bennington's plant is one of the four. Currently employs 192 people.

WCW of Manchester: Received double order from Simmons for its sleep systems and is projecting growing from 115 to 150 employees by May and has added a second shift

Green Mountain Coffee Roasters: \$1.25 billion equity deal with Coca-Cola allows it to expand into the cold beverage market. Its Waterbury facility remains the beverage R&D headquarters.

Mylan: New 85,000 sq. ft building in St. Albans will help house more than 160 new employees  
Revision: Received a \$21 million military contract for its helmets which is projected to allow it to hire back 40 workers in Newport

Freedom Foods: Moved in to new facility in Randolph. Investing in new facility, M&E and new jobs

Logic Supply: Planning an expansion in South Burlington with investment in facility, M&E and new jobs

Biotech Technologies: Planning expansion in Winooski and new jobs. Continues to win awards for innovation, including finalist in 2014 Edison Awards

Farmer Mold and Machinery: Announces move from Florida to Vermont

Ivek Corporation: Expanding their facilities in North Springfield

Newport Airport: New aircraft manufacturing company

St. Albans: New U.S. Customs facility

Vermont Farmstead Cheese expands in Windsor in to a new manufacturing facility.

In Brattleboro both Against the Grain and New Chapter continue to grow both in physical space and employment.

King Arthur Flour in Hartford and Norwich have expanded their warehouse and retail space.

Woodchuck Hard Cider in Middlebury recently completed a major expansion of production capacity.

We continue to see growth in the tech sector with companies like Dealer.com, MyWebGrocer and most recently Ello, a Vermont start up taking the social networking world by storm.

### **Department of Labor:**

#### **Workforce Development:**

Under federal Workforce Investment Act, any worker laid off is immediately qualified as a “Dislocated Worker”, eligible for federal program assistance under WIA. In most cases, that will involve core and intensive services for skill assessment/aptitude, retraining if necessary, job placement and matching, OJTs, apprenticeship (or pre-apprenticeship) or IR-Credentialing, and additional services/supports (which could include help with transportation, child care, etc). In general, the available dollar amounts for a DW range between \$5-8K, but can be higher if justified.

- In the recent IBM layoffs, nearly 100% of the laid off workers (total 549) have qualified as “Trade Adjusted Workers”. This status provides MUCH greater retraining and education money and other financial supports. VDOL funding has been able to put “TAA” workers through college on Trade money.

- Under Trade Adjustment, the funding available for a “Trade Adjusted” worker is substantially higher (\$25-35K++) and a TA eligible worker has much greater supports (substantial training and education funding under “Individual Training Accounts”, supplemental income for salary loss for up to a year, relocation assistance, etc). Trade Adjusted status also qualifies the affected workers for Trade Readjustment Allowance under Unemployment Insurance, allowing UI supports for a longer period of time and while they are pursuing retraining and education.
- NEG-Supported Specialized Programs: VDOL will apply and be eligible for NEG funding for additional supports and programs
- VDOL just this week received 2 USDOL grants: \$1.1M in Reemployment Eligibility Assessment (re-funding VDOL’s REA positions and program); and \$1.3M for assistance to long-term unemployed.
- State WETF: Available to training providers to work with VDOL targeted individuals who need training or a job.
- UI Self Employment Assistance: For unemployed individuals who want to engage in starting their own business.

#### **Notice Requirements:**

- In cases of mass layoffs (25 or more in a 90-day period), the employer must provide the Department of Labor with specific info on each worker that allows VDOL to expedite UI claims and enroll workers in re-employment services.
- Federal WARN Act will come into play in a plant closing situation, or layoff between 50-499 workers if that constitutes 33% of the workforce, or if 500 workers are laid off. Since 2000, there have been 31 other companies who have reported layoffs under the WARN Act

#### **Possible Impacts:**

We currently have 3,708 active UI claims being paid weekly. We estimate approximately 11,500 unemployed Vermonters. If 4,000 new unemployed claims hit the system, it would put us in about the same spot we were in during the recent recession years 2007-2009, and we might anticipate an unemployment rate increase from our current 4.1% to about 5.0%, still well below that national average.

#### **Statistics:**

High employment number at IBM since 2000 was in March 2001 – 9,594 workers

Number of IBM workers in December 2010, **before** Shumlin Administration: 4,678.

Since that time, most of the IBM layoffs have been smaller amounts month-to-month, except for:

Largest IBM VT month layoffs since January 2000: 437 between January-February 2002; 738 between August-September 2002; 351 between December 2002-January 2003; 841 between August-September 2003; 154 between June-July 2013; 280 between July-August 2013; and 135 person layoff on March 31, 2014

**Some of the companies who have hired laid off IBM'ers since the 2013 layoffs include:**

LAKE CHAMPLAIN TAX LLC  
NANYA TECHNOLOGY CORP DELAWARE  
VERMONT IRRIGATION INC  
SMUGGLERS NOTCH MANAGEMENT CO  
CHAMPLAIN VALLEY UNION HIGH PC CONSTRUCTION COMPANY  
STATE OF VERMONT  
ASIC NORTH INC  
MOUNTAIN OPERATIONS & DEVELOPMENT  
SIX SEMICONDUCTORS INC  
VERMONT SKI SAFETY EQUIPMENT, INC  
GREEN MOUNTAIN COFFEE ROASTERS INC  
NEW ENGLAND ELECTRIC LLC  
MT MANSFIELD CO INC  
TECHNICAL CONNECTION INCORPORATED  
ENGSTROM-JOHNSON, KRIS  
MOUNTAIN OPERATIONS & DEVELOPMENT LLC  
PRIORITY EXPRESS INC  
SIMMONDS PRECISION PRODUCTS INC  
HP ENTERPRISE SERVICES, LLC  
PEOPLES UNITED  
NATIONAL LIFE INSURANCE COMPANY  
VT INFORMATION TECHNOLOGY LEADERS  
CHITTENDEN EAST SUPERVISORY UNION  
FLETCHER ALLEN  
UNIVERSITY OF VT  
AMERICA'S GARDENING RESOURCE INC  
BURLINGTON PUBLIC SCHOOLS  
SHELBURNE SCHOOL DISTRICT  
HUSKY INJECTION MOLDING SYSTEMS INC  
BARRE CITY SCHOOL DISTRICT  
PRECI MANUFACTURING, INC  
MY WEB GROCER INC  
DAKIN FARM, INC  
BEING ADVANCED MEMORY CORPORATIO  
VERMEDX INC  
VERMONT INFORMATION PROCESSING INC  
SOUTH BURLINGTON, CITY OF  
STOWE GROUP LLC  
AEROTEK INC  
STOWE GROUP LLC

SPORTS AND FITNESS EDGE INC  
LOGIC SUPPLY INC  
WINOOSKI SCHOOL DISTRICT  
VERMONT INFORMATION PROCESSING INC  
COMPUTER TASK GROUP INC  
P B M NUTRITIONALS LLC  
ADVANCED ILLUMINATION INC  
MACK MOLDING CO INC

**Former IBM employees are entrepreneurs!**

Former IBM employees have started new technology related companies such as (I need to fill in some blanks here, need more time for that.)

**Energy Costs:**

Industrial class electricity costs, from EIA:

- Q1 2011: VT (9.96 c/kWh) is second lowest in region, with Maine lower. VT is 6th highest in lower 48.
  - Q1 2014: VT (10.49 c/kWh) is lowest in region. VT is 9th highest in lower 48.
- IMPROVED

Actual position of Vermont:

- Highly competitive in a region with high relative prices (and some of the cleanest electricity in the nation).
- Vermont's stability has protected our manufacturers from the volatile prices in other regional states.
- Our largest utility just filed for a 2.5% **decrease** in electric rates, at a time where many of our NE neighbors are filing double-digit increases
- Price increases:
  1. Vermont was up about 2 percent from Q4 2013 to Q1 2014
  2. Maine up nearly 50% from Q4 2013 to Q1 2014
  3. Regional average up 9% from Q4 2013 to Q1 2014
- Rate Freeze: In an MOU filed with the Public Service Board on May 30, 2014, GMP, the Department, IBM, and AIV agreed to propose a three year rate freeze for IBM to take effect in October 2014, following a proposed 2.46% rate decrease for GMP. The Board still has to approve the agreement. The rate freeze is applied to the Transmission Class (IBM only current member), and so if the facility was sold the rate freeze would be in effect for new occupant, and



for others on campus. this plus other concessions is worth significant money to ibm This has been approved.

- Energy Efficiency: Vermont has exempted IBM from the efficiency charge. IBM does not pay into Efficiency Vermont, and instead through a self-managed efficiency program IBM directly invests more than \$1 million per year in improving the efficiency of their own facilities. IBM testified to Public Service Board that since 2006, they have reduced their peak load by approximately 10 MW while increasing output on their manufacturing line.

### **Tax Implications:**

- Vermont taxpayer information is protected by confidentiality.
- Of course, publicly traded companies report their pre-tax and post-tax income on a national basis. IBM's financial statements show they pay a significant dollar amount of taxes in the US (even as the national debate continues about corporate tax policy). One can assume that IBM has paid significant taxes to Vermont over its decades of operation in the state.
- One can also assume that IBM employees have paid significant individual income taxes on wages, retirement pay and investments, and that the secondary economic activity surrounding the plant also generates tax revenue.
- The Administration of course is looking carefully at the effect that any announcement will have on the short and long term revenue of the state.
- The Administration is committed to tax policies that are fair and sustainable, and that grow our economy.
- We will be working diligently with our economic development partners to insure that our tax structure and tax incentives enhance that growth.

Lots of ifs:

- Most significant revenue concerns would be impact on personal income tax and corporate income tax.
- Personal income tax depends largely on job retention in VT, whether at this plant or in other ventures. However, in any scenario, VT will continue to see income generated by IBM compensation packages, including retirement plans and stocks.
- Corporate income tax is complicated by the fact that we require corporations to file on a unitary basis, treating the parent and all related affiliates as a single taxpayer and apportioning income to VT. Therefore, the income tax paid by any acquirer for plant operations in the case of a sale will be partly dependent on its national corporate profile.

- With respect to property tax, the IBM campus as currently valued does generate over \$2M. in statewide property taxes. Job retention could have a secondary impact on the residential real estate market, which could affect residential property taxes down the road.
- With respect to transaction taxes, a straight-out sale of real property would trigger the 1.5% property transfer tax, but presumably any corporate transaction will be structured such to avoid it. Corporate acquisitions structured as stock sales are not subject to any transaction tax in VT. A sale of course could figure into the seller's income tax (as well as that of investors).

#### **Notice Requirements:**

- In cases of mass layoffs (25 or more in a 90-day period), the employer must provide the Department of Labor with specific info on each worker that allows VDOL to expedite UI claims and enroll workers in re-employment services.

#### **Circ Highway:**

- Gov made the call to halt the Circ after EPA letter pointing out significant obstacles and after review of stagnation and money spent over decades.
- No one disagreed that some solutions were needed, though we also recognized that the facility employed less than half the people it did in prior years.
- IBM participated fully in the process to replace the Circ with \$100 million worth of projects that will have more benefit for Chittenden County than the outdated Circ design.
- IBM Facilities Director Tim Baechle voted in favor of all three phases of project approval in the three-year life of the task force.
- Those projects have all been accepted by the legislature and are part of the Capital Program in various stages of development. Real progress after decades of inaction. The hits on this are surprising and frankly driven more by ideology than on the ground reality.
- 34 Projects in "the book". 7 in Phase 1, 3-5 years; 9 in Phase 2, 5-10 years and 18 in Phase 3, 10 – 20 years. Total: Estimated \$99.4 million. Biggest piece, \$21 million redesign of Exit 12 (Williston).
- Exit 16 Colchester Improvements: \$5 million, designed and completing ROW, Construction \$\$ included in FY-15 budget
- VT2A, James Brown Drive Intersection Improvements: \$1.5 million, PE & ROW advancing, Const. in FY-16

- Signalization – 10 intersections in Circ towns converted to Adaptive Signal Control: \$120,000, Construction this year
- Crescent Connector – 5- Corners bypass from 2A to 15, \$3 million, Final Design & ROW, Const. FY-16
- All Phase I projects are at some state of project advancement (design, permitting, ROW etc.)
- Six of nine Phase II projects are in planning at CCRPC, two involve CCTA improved service.
- Phase 3 projects are awaiting scoping but are in the queue with CCRPC
- Final list of projects approved by the legislature this session after three year task force process, including IBM.

#### **EDA:**

Congressional delegation has made initial contact with EDA about utilizing their programs in the event of a significant labor disruption at IBM.

A layoff of 1,000-1,500 would certainly qualify Vermont for the threshold. We've focused to this point on utilizing EDA resources for a municipal purchase of the wastewater facility or other infrastructure assistance on the IBM campus.

Depending on the severity of the event, EDA could fund 50-60% of a project. They are ready and willing to be on the ground to meet with stakeholders whenever we ask.

With EDA already  $\frac{3}{4}$  of their way through the federal fiscal year, the earliest they would likely be able to bring funds towards a project would be in October. That won't stop them from being able to plan and discuss proposals, but will delay the deployment of funds.

Our US EDA approved Comprehensive Economic Development Strategy (CEDS) positions Vermont to take advantage of EDA funding over and above what could be available from the impacts of a major lay off.