

# **Vermont Employment Growth Incentive Program**

## **2008 Annual Report**

**(Revised)**



**VERMONT ECONOMIC PROGRESS COUNCIL**

**VERMONT DEPARTMENT OF TAXES**



# VEGI Program Summary

## **ECONOMIC IMPACT TO DATE** (Through December 31, 2007)

|   |              |
|---|--------------|
| Number of New Qualifying Jobs Created       | 265          |
| Amount of New Qualifying Payroll Created    | \$10,039,054 |
| Amount of New Qualifying Capital Investment | \$22,546,438 |
| Incentive Installment Paid                  | \$208,653    |
| Estimated Net Revenue Benefit (2007)        | \$582,792    |

In January 2007, the Vermont Employment Growth Incentive (VEGI) program began offering new incentives for business recruitment, growth and expansion. The VEGI program provides a cash payment, based on new job and payroll creation, to companies that have been pre-approved for the incentive. Approval occurs through application to the Vermont Economic Progress Council (VEPC), who, upon reviewing the applications, approve or deny them based upon three criteria:

- ◆ Whether the economic activity would not occur or would occur in a significantly different and/or less desirable manner without the incentive (But For);
- ◆ If the economic activity will generate more new revenue for the state than is foregone through the incentive (cost-benefit modeling); and
- ◆ If the company and economic activity are consistent with a set of nine guidelines.

VEGI incentives are earned over a period of up to five years and paid out over a period of up to nine years. Only if performance targets are achieved in a given year, the incentive generated by the creation of new, qualified jobs and payroll is earned for that year. The company receives the incentive earned that year in five installments, if the new jobs and payroll are maintained. Annual VEGI incentive claims are examined and either approved or denied by the Vermont Department of Taxes.

This report presents the applications considered and the incentives authorized during 2007, the actual economic activity for 2007 and the incentives earned by those companies in 2007. This report is a revision of the 2008 Annual Report issued on May 1, 2008 and reports actual activity and incentive now that 2007 incentive claim review has been completed by the Vermont Department of Taxes.

Table 1 provides a summary of the incentives authorized in 2007 and the status as of December 31, 2007. Detailed information on the projected annual economic and fiscal impact is presented in Table 2. The status of the authorized incentives as of December 31, 2007 is summarized in Table 3 and the actual 2007 activity is presented in Table 4.

Further information on VEPC and the Vermont Employment Growth Incentive Program is available at: [www.thinkvermont.com/vepc](http://www.thinkvermont.com/vepc). Further information on the Department of Taxes is available at: [www.state.vt.us/tax](http://www.state.vt.us/tax).

Vermont Statute 32VSA §5930(b) requires the following elements of the program to be reported annually. The table in which each requirement is addressed is noted below:

- |  |   |
|--|---|
| 1. Total authorized award amount of incentives granted during preceding year (Table 1) | 7. Recipient performance in the year in which the incentives were applied (Tables 4)                        |
| 2. Amounts actually earned and paid out from inception to date of report (Table 4)     | 8. Number of applications for incentives (Table 3)  |
| 3. Date and amount of award (Table 1)  | 9. Number of approved applicants who complied with ALL their requirements for the incentive (Not Yet Known) |
| 4. Expected calendar year or years in which the award will be exercised (Table 1)      | 10. Aggregate number of jobs created (Table 4)  |
| 5. Whether the award is currently available (Table 1)                                  | 11. Aggregate payroll (Table 4)   |
| 6. Amount and date of all incentives exercised (Table 4)                               | 12. Date the award will expire (Table 1)  |
|  | 13. Identity of the business whose applications were approved (Table 1)                                     |

**TABLE 1: INCENTIVE AUTHORIZATION SUMMARY, THROUGH DECEMBER 31, 2007**

| Company Name                               | Date Considered | Authorization Period | Status                  | Maximum Incentive Considered | LOCATION         | Minimum Net Revenue | Type of Project |
|--|-----------------|----------------------|-------------------------|------------------------------|------------------|---------------------|-----------------|
| Ink Jet Machinery of Vermont               | 25-Jan-07       | 2007 - 2011          | Rescinded Jan 1, 2008   | \$336,055                    | Dorset           | \$0                 | Startup         |
| Olympic Precision, Inc/WIC/Town of Windsor | 25-Jan-07       | n/a                  | Rescinded Sept 6, 2007  | \$474,428                    | Windsor          | \$0                 | Recruitment     |
| Monahan SFI, LLC                           | 15-Feb-07       | 2007 - 2011          | Active - Final          | \$791,277                    | Middlebury       | \$382,581           | Plant Restart   |
| Qimonda North America Corp.                | 15-Feb-07       | 2007 - 2011          | Rescinded Mar 27, 2008  | \$229,672                    | So. Burl         | \$0                 | Ret./Expansion  |
| Rehab Gym, Inc.                            | 22-Mar-07       | n/a                  | Denied                  | \$255,439                    | Colchester       | \$0                 | Ret./Expansion  |
| Applejack Art Partners                     | 3-May-07        | n/a                  | Rescinded Oct 25, 2007  | \$85,539                     | Manchester       | \$0                 | Recruitment     |
| Omni Measurement Systems                   | 3-May-07        | 2007 - 2011          | Active - Final          | \$677,944                    | Milton           | \$324,549           | Ret./Expansion  |
| Vermont Timber Frames                      | 3-May-07        | 2007 - 2011          | Active - Final          | \$156,126                    | Bennington       | \$70,611            | Recruitment     |
| Battenkill Technologies, Inc.              | 28-Jun-07       | 2007 - 2011          | Rescinded June 26, 2008 | \$79,054                     | Manchester       | \$0                 | Recruitment     |
| Burton Corporation                         | 28-Jun-07       | 2007 - 2011          | Active - Final          | \$1,653,965                  | Burlington       | \$2,212,917         | Ret./Expansion  |
| Energizer Battery Manufacturing, Inc.      | 26-Jul-07       | 2007 - 2011          | Active - Final          | \$607,347                    | St Albans        | \$637,270           | Ret./Expansion  |
| NEHP, Inc.                                 | 25-Oct-07       | 2007 - 2011          | Active - Final          | \$182,396                    | Williston        | \$94,388            | Ret./Expansion  |
| Green Mountain Coffee Roasters             | 25-Oct-07       | 2007 - 2011          | Active - Final          | \$1,786,828                  | Waterbury/Essex  | \$2,129,672         | Ret./Expansion  |
| Mascoma Corporation                        | 25-Oct-07       | 2008 - 2012          | Rescinded June 26, 2008 | \$1,942,989                  | WRJ              | \$0                 | Recruitment     |
| Albany College of Pharmacy                 | 6-Dec-07        | 2008 - 2012          | Active - Initial        | \$1,048,047                  | Colchester       | \$638,243           | Recruitment     |
| Know Your Source, LLC                      | 6-Dec-07        | n/a                  | Denied                  | \$71,302                     | Burlington       | \$0                 | Start-up        |
| Tata's Natural Alchemy                     | 6-Dec-07        | 2008 - 2012          | Active - Initial        | \$195,102                    | Whiting/Shoreham | \$96,349            | Start-up        |

| Total Incentives:                             |              |
|---|--------------|
| Total Incentives Considered Thru Dec 31, 2008 | \$10,573,510 |
| Total Incentives Denied Thru Dec 31, 2008     | \$326,741    |
| Total Incentives Rescinded to Date            | \$3,147,737  |
| Net Incentives Authorized Thru Dec 31, 2008   | \$7,099,032  |

| Annual Incentives/Caps:  |             |
|--|-------------|
| 2007 Authorizations (Earned 2007 - 2011; Paid out 2008 - 2015) | \$5,855,883 |
| 2007 Cap Balance   | \$4,144,117 |
| 2008 Authorizations (Earned 2008 - 2012; Paid out 2009 - 2016) | \$1,243,149 |
| 2008 Cap Balance   | \$8,756,851 |

| Economic Impact - 2007 Authorizations Only:                                  |                    |
|--|--------------------|
| New Qualifying Jobs Projected (Created between 2007 - 2012)                  | 1,000              |
| New Qualifying Payroll Projected (Created between 2007 - 2012)               | \$37,161,851       |
| Average Wage of New Qualifying Jobs  | \$37,503           |
| Average Compensation for New Qualifying Jobs                                 | \$48,432           |
| Qualified Capital Investment Projected (Invested between 2007 - 2012)        | \$45,765,724       |
| Fiscal Impact - 2007 Authorizations Only:                                    |                    |
| Total Revenue Benefits to the State (P.V.) (2007 - 2012)                     | \$20,690,481       |
| Total Revenue Costs to the State, Including Incentives (P. V.) (2007 - 2016) | \$14,838,495       |
| <b>Net Fiscal Return to the State (2007 - 2016)</b>                          | <b>\$5,851,986</b> |

**TABLE 2: PROJECTED IMPACT BY YEAR, AGGREGATED, THROUGH DECEMBER 31, 2007**

|   | 2007          | 2008          | 2009          | 2010          | 2011          | 2012          | 2013          | 2014          | 2015          | 2016          | 2017          | Total        |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|
| <b>COST-BENEFIT (Of Maximum Incentives)</b>                                       |               |               |               |               |               |               |               |               |               |               |               |              |
| Aggregate New Revenues to State (Present Value Dollars)                           |               | \$774,809     | \$2,304,009   | \$4,105,046   | \$5,819,918   | \$7,686,700   | \$0           |               |               |               |               | \$20,690,481 |
|   |               |               |               |               |               |               |               |               |               |               |               | 100.00%      |
| Aggregate Costs to State Other Than Incentive Payments (Present Value Dollars)    |               | \$197,726     | \$767,342     | \$1,705,225   | \$2,890,917   | \$4,303,012   | \$0           |               |               |               |               | \$9,864,221  |
|   |               |               |               |               |               |               |               |               |               |               |               | 100.00%      |
| Aggregate Annual Incentive Payments (Present Value Dollars)                       |               | \$277,949     | \$637,616     | \$769,245     | \$880,079     | \$994,855     | \$716,906     | \$357,239     | \$225,610     | \$114,776     | \$0           | \$4,974,274  |
| Aggregate Net New Revenues to State Because of Incentives (Present Value Dollars) |               | \$299,134     | \$899,051     | \$1,630,577   | \$2,048,922   | \$2,388,832   | -\$716,906    | -\$357,239    | -\$225,610    | -\$114,776    | \$0           | \$5,851,986  |
| <b>INCENTIVE EARNING SCHEDULE (Of Maximum Incentives)</b>                         |               |               |               |               |               |               |               |               |               |               |               |              |
|   | 2007          | 2008          | 2009          | 2010          | 2011          | 2012          | 2013          | 2014          | 2015          | 2016          | 2017          | TOTAL        |
| Maximum Incentives Possible (Nominal Dollars)                                     | \$ 1,636,055  | \$ 2,117,063  | \$ 774,788    | \$ 652,390    | \$ 675,589    | \$ -          |               |               |               |               |               | \$ 5,855,885 |
| Estimated Incentives to be Paid Based on Application Data (Nominal Dollars)       | \$ 1,471,930  | \$ 1,843,566  | \$ 671,253    | \$ 568,988    | \$ 586,785    | \$ -          |               |               |               |               |               | \$ 5,142,521 |
| <b>INCENTIVE PAYOUT SCHEDULE</b>  |               |               |               |               |               |               |               |               |               |               |               |              |
|   | 2007          | 2008          | 2009          | 2010          | 2011          | 2012          | 2013          | 2014          | 2015          | 2016          | 2017          | TOTAL        |
| Maximum Incentives Possible (Nominal Dollars)                                     |               | \$327,211     | \$750,624     | \$905,581     | \$1,036,059   | \$1,171,177   | \$843,966     | \$420,553     | \$265,596     | \$135,118     | \$0           | \$5,855,885  |
| Estimated Incentives to be Paid Based on Application Data (Nominal Dollars)       |               | \$163,086     | \$477,126     | \$802,045     | \$952,659     | \$1,082,375   | \$843,966     | \$420,553     | \$265,595     | \$135,117     | \$0           | \$5,142,521  |
| <b>ECONOMIC ACTIVITY</b>  |               |               |               |               |               |               |               |               |               |               |               |              |
|   | 2007          | 2008          | 2009          | 2010          | 2011          | 2012          | 2013          | 2014          | 2015          | 2016          | 2017          | TOTAL        |
| New Qualifying Jobs to be Created   | 270           | 362           | 141           | 141           | 157           | 13            |               |               |               |               |               | 1084         |
| New Qualifying Payroll to be Created  | \$9,538,659   | \$12,962,410  | \$6,073,929   | \$6,094,945   | \$6,607,208   | \$800,000     |               |               |               |               |               | \$42,077,151 |
| New Qualifying Capital Investments to be Made                                     | \$23,225,702  | \$26,049,270  | \$8,092,000   | \$7,946,400   | \$7,963,680   | \$0           |               |               |               |               |               | \$73,277,052 |
| <b>APPLICATION OF AUTHORIZED INCENTIVES AGAINST ANNUAL GROSS CAP</b>              |               |               |               |               |               |               |               |               |               |               |               |              |
|   | 2007          | 2008          | 2009          | 2010          | 2011          | 2012          | 2013          | 2014          | 2015          | 2016          | 2017          | TOTAL        |
| Gross Cap   | \$ 10,000,000 | \$ 10,000,000 | \$ 10,000,000 | \$ 10,000,000 | \$ 10,000,000 | \$ 10,000,000 | \$ 10,000,000 | \$ 10,000,000 | \$ 10,000,000 | \$ 10,000,000 | \$ 10,000,000 |              |
| Maximum Incentives Possible (Nominal Dollars)                                     | \$ 5,855,883  | \$ 1,243,149  |               |               |               |               |               |               |               |               |               | \$ 7,099,032 |
| Gross Cap Balance   | \$ 4,144,117  | \$ 8,756,851  |               |               |               |               |               |               |               |               |               |              |
| <b>APPLICATION OF AUTHORIZED INCENTIVES AGAINST ANNUAL NET NEGATIVE CAP</b>       |               |               |               |               |               |               |               |               |               |               |               |              |
|   | 2007          | 2008          | 2009          | 2010          | 2011          | 2012          | 2013          | 2014          | 2015          | 2016          | 2017          | TOTAL        |
| Net Negative Cap  | \$ 1,000,000  | \$ 1,000,000  | \$ 1,000,000  | \$ 1,000,000  | \$ 1,000,000  | \$ 1,000,000  | \$ 1,000,000  | \$ 1,000,000  | \$ 1,000,000  | \$ 1,000,000  | \$ 1,000,000  |              |
| Incentives Approved Against Net negative Cap                                      | \$0           | \$0           |               |               |               |               |               |               |               |               |               | \$0          |
| Net Negative Cap Balance  | \$ 1,000,000  | \$ 1,000,000  |               |               |               |               |               |               |               |               |               |              |

**TABLE 3: STATUS OF VEGI APPLICATIONS AS OF DECEMBER 31, 2007**

| <b>STATUS</b>   | <b>Number</b> | <b>Dollars</b> |
|---|---------------|----------------|
| Applications Considered in 2007                         | 17            | \$ 10,573,510  |
| Applications Denied in 2007                             | 2             | \$ 326,741     |
| 2007 Applications Rescinded in 2007 and 2008            | 6             | \$ 1,204,748   |
| Active Applications Considered in 2007, with 2008 start | 2             | \$ 3,186,138   |
| Net Active Applications with 2007 Incentive Claims      | 7             | \$ 5,855,883   |

**TABLE 4: ACTUAL ACTIVITY - 2007**

|   | <b>Estimated</b>  | <b>Actual</b>     |
|---|-------------------|-------------------|
| Incentives to be Earned by 2007 Activity                  | \$ 1,471,930      | \$ 1,434,964      |
| Installments to be Paid in 2008 for 2007 Activity         | \$ 163,086        | \$208,653         |
| <b>Net Revenue Benefit to the State (in 2007)</b>         | <b>\$ 299,134</b> | <b>\$ 582,792</b> |
| <b>Seven Companies Authorized for 2007 Activity:</b>      |                   |                   |
| New Qualifying Jobs                                       | 270               | 265               |
| New Qualifying Payroll                                    | \$ 9,538,659      | \$ 10,039,054     |
| Average Annual Wage                                       | \$ 37,503         | \$ 49,876         |
| Average Compensation (wages & benefits)                   | \$ 48,432         | \$ 66,219         |
| New qualifying Capital Investments                        | \$ 23,225,702     | \$ 22,546,438     |
| <b>Five Companies That Met December 31, 2007 Targets:</b> |                   |                   |
| New Qualifying Jobs                                       | 247               | 259               |
| New Qualifying Payroll                                    | \$ 8,640,859      | \$ 9,582,173      |
| Average Annual Wage                                       | \$ 37,173         | \$ 42,282         |
| Average Compensation (wages & benefits)                   | \$ 44,979         | \$ 51,073         |
| New qualifying Capital Investments                        | \$ 17,445,702     | \$ 17,715,812     |

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