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Memorandum

To: Steve Klein, Legislative Joint Fiscal Office

From: Tom Kavet

CC: Senate Finance Committee

Date: April 8, 2009

Re: Requested Review of Proposed "Vermont Recovery and Reinvestment Act of 2009," S.137

OVERVIEW

Per your request, I have summarized perspectives on the: 1) Costs, 2) Near-Term Economic Stimulus Effects and 3) Policy Considerations, associated with the 121 relevant sections proposed in S.137, the "Vermont Recovery and Reinvestment Act of 2009."

While the bleak economic conditions that were originally cited as the rationale for this legislation are real and present, the efficacy of many of the 121 measures contained within them to address these conditions can only be described as minor, and in some cases, misguided. Many of the measures are revised versions of programs that have either had little or no beneficial impact as previously enacted or proposed measures that have been rejected in prior legislative sessions.

Many of the measures represent substantial State expenditures of revenues - whether as tax expenditures that reduce revenues, loan loss guarantees that may reduce revenues, or direct expenditures - at a time of severe revenue stress. Virtually none of the proposed programs that reduce revenues or increase spending represent any net economic stimulus benefit to the State. This is because they must be funded with offsetting tax increases or spending cuts (see page 2 insert for more a more detailed discussion). Few of the proposed measures provide clear goals stating expected public benefits for these public expenditures, and fewer still provide transparent public oversight to insure that these benefits are achieved.

Most importantly, the larger policy framework and supporting analysis within which these measures fit, is absent. As noted in comparable pending House legislation, "***Vermont lacks a shared statewide vision of its economic future…[and] lacks a single, holistic, integrated state plan for economic development***."[1]

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[1] See H.313

What Represents "Economic Stimulus" at the State Level?

While the impulse to try to offset the dire effects of cyclical national economic swings at the state level is laudable, unless a state has maintained a fully funded "rainy day fund" that is truly matched to likely recessionary revenue shortfalls, or has the capacity to aggressively increase borrowing, there is very little state government can do that represents any meaningful net economic stimulus.

This is because most state counter-cyclical spending programs, unlike those at the federal level, must be paid for with either offsetting additional state tax increases or offsetting revenue reductions. Unless such programs are paid for with borrowed money (paid back at a later date) or the sale of state assets (a limited strategy), they will represent little, if any, net economic stimulus. Some programs, such as the recent sales tax holiday, touted as a "stimulus" measure, probably actually resulted in a small net economic loss.

At the state level, the only way to achieve real net economic stimulus is through public spending that is not associated with offsetting tax increases or spending cuts. This limits meaningful stimulus measures to:

1) An expenditure of past revenues that have been saved (such as dipping into the "Rainy Day Fund"),

2) An expenditure financed by increased longer term debt (which creates future costs, but can generate near-term demand) or,

3) An expenditure funded through the liquidation of marketable State assets (such as buildings, land, minerals, timber, tax franchises, etc.) to support increased state spending.

In order to truly offset the regular recessionary cycles we experience in State government revenues, we would need to create "rainy day" funds that accurately reflect the severity of most downturns and save a much higher percentage of revenues during good times. This would require an elevated level of political will and longer term financial planning than is currently performed. A 5-10 year financial planning horizon would be required, along with the political will to bank substantial funds during expansions instead of spending them or returning them as tax cuts.

In the absence of this, during recessions, state governments are invariably required to cut back on essential government services and usually exacerbate the negative effects of a downturn through both spending cuts and tax increases.

The relatively few options that do represent real net economic stimuli should be carefully considered and implemented if viable, but are unlikely to have enormous net economic impacts, unless borrowing can be substantially increased. Without changes in longer term financial and budgetary planning, such recessionary revenue shortfalls will regularly recur, with the same negative impacts.

Without a coherent plan and credible planning entity, such measures accumulate, overlap and add to administrative (and user) chaos with those already passed, many of which are unused, unevaluated and of uncertain benefit. Without a strategic plan, the efficiency of public expenditures is diluted and policy priorities remain vague. Economic development becomes a catch-all for anything any other state is doing and anything that "might help."

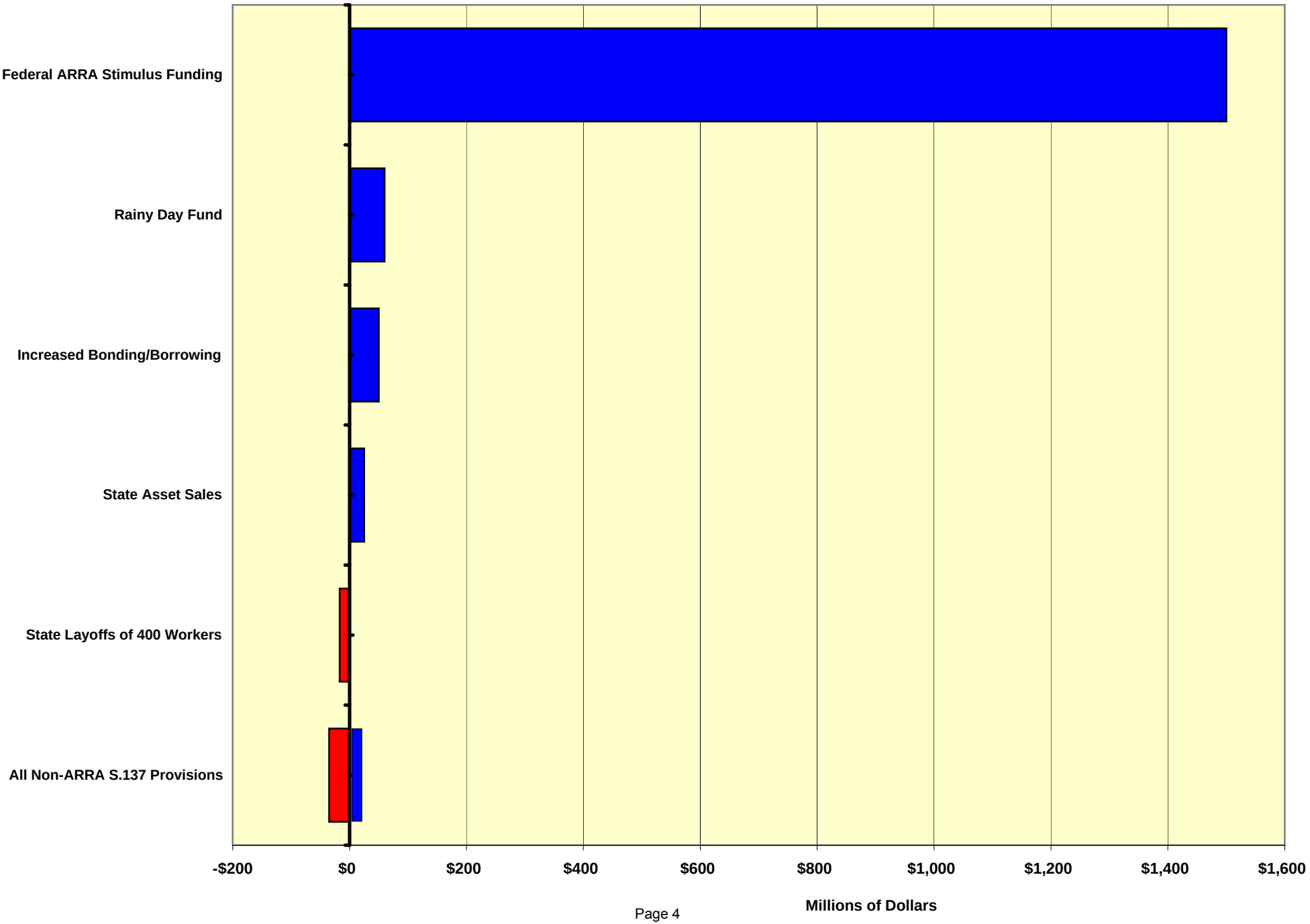
While the political impetus to "do something" is understandable at times like this, it is important to understand the limitations of state economic policy options that can truly impact the broader economy. For example, the beneficial economic impact of almost all of the non-ARRA measures proposed in the subject legislation would be exceeded by the expenditure of the State Rainy Day Fund (about $60 million) and would be dwarfed by the negative economic impact of laying off substantial numbers of state workers and cutting expenditures for essential state services.

The most impactful portions of the proposed legislation are those related to maximizing the receipt and expenditure of federal economic stimulus dollars. ***There is no other single public policy action the State can take with greater beneficial impact on the State's economy over the next two years than measures to aggressively attract and utilize the massive ARRA funds now becoming available*** (see chart, next page). Proposals in this legislation that maximize and rely on this funding have powerful beneficial economic and fiscal impacts because, for the most part, they do not require any additional State taxation or offsetting spending cutbacks to finance. With nearly $1.5 billion in potential state investment, these policy areas should receive the highest legislative priority.

Administrative concerns associated with these proposals should also be given fair weight. All too often, programs are rushed into existence without careful planning regarding compliance, operation and public oversight. The VEPC EATI program, for example, was developed with the best of intentions, but without careful consideration as to how the program would be policed and managed, and resulted in the loss of millions of dollars in taxpayer money due to program loopholes and abuse. All of the large programmatic proposals should be thoroughly vetted by the Tax Department, Joint Fiscal Office and other administrative agencies to determine administrative costs and concerns regarding program operation before passage, and all should have some form of public oversight and follow-up to insure that the expected benefits are received.

The below assessments for individual sections of this bill should be considered preliminary, since new information is being made available daily and statutory revisions are being constantly introduced. This memo is based on statutory language as of March 27, 2009. Updated analyses will be made available to various committees upon request as these proposals move through the legislative process.

Potential Vermont Direct Net Economic Stimulus Impacts from Various Sources Over Next 2 Years



Sections 1-2, Springfield "Opportunity Zone Pilot Project"

This measure, and/or variants thereof, have been proposed for several years and been rejected for several reasons: 1) Such proposals are excessively broad in focus, designating entire geographic areas and virtually all development activities within these areas as potential tax expenditure beneficiaries, instead of specific projects with clear parameters; 2) They have correspondingly high and uncertain public costs; and 3) They have been characterized by inadequate public oversight, transparency and operational guidance - in this case, based largely on the decisions of one individual.

By revising this measure to include a single, as yet unspecified "pilot" project in Springfield, Vermont, it is an improvement over the prior proposal to allow such zones anywhere the Secretary of Commerce so chooses. It does not, however, clarify or limit public costs and sets an expensive precedent for State funding of local sites in need of redevelopment. It does not specify the exact site or the extent of State financing necessary to enable the project. Without such information, public costs could reach tens of millions of dollars over the 20 year life of the proposal.

If the State has a compelling interest in the redevelopment of a particular piece of real estate, a proposal should be advanced that specifies the real estate in question, the development plans and the public funds necessary to effect the planned redevelopment. Public expenditures should be clear and capped at an amount appropriate to effect the specific redevelopment, not open-ended, as currently defined in this measure. Because of the highly regional benefits of such a project, if the public expenditure is substantial (and it could be), it should be considered via a legislative process, not authorized by agency fiat.

Cost: Unknown, due to as yet undefined project parameters, but could exceed $22 million over the 20 year life of the project. Further information associated with this pilot project would be required to ascertain potential costs.

Stimulus Effect: Unlikely to have a significant incremental near term impact, if any, depending upon the characteristics of the development activity. Longer term impacts could be beneficial if focused on specific projects with public expenditures limited by rigorous cost-benefit analysis.

Policy Considerations:

- What are the impediments to the development of a "troubled site," such as those contemplated in Springfield? What is the public interest in any specific site rehabilitation? Is the public interest the same across all potential sites?
- Are these public subsidies enough to make a difference in stimulating redevelopment? Are they more generous than is necessary? What analysis supports either conclusion?
- Why should these developments have preference and priority over all other developments for VEDA funding, permit processing, education taxes, sales taxes and

income taxes? Would a cost-benefit analysis validate such preferential treatment, relative to all other in-State economic development?
- What is the potential impact on the State Grand List and who would pay for this tax base reduction?
- Why should retail sales activities and in-State business relocation decisions be excluded from program benefits if the primary development purpose and benefit is locational and even site specific?
- If the State co-invests in a project such as this, should it have an ownership share in the project commensurate with its investment?

Other Recommendations:

- Instead of making entire geographic areas and unspecified future development activity subject to tax breaks over an extensive 10 or 20 year period, allow the legislature to vote on a specific package of public investment dollars necessary to rehabilitate a specific site or group of sites. This would limit the public expenditure to a clear amount, with clear and achievable goals and clear results.
- Define the exact site in Springfield and proposed project details associated with the planned re-development activity. Ascertain the cost of State subsidies necessary to effect the project and release State funds as cash expenditures upon completion of project benchmarks, not as a series of tax breaks requiring long term project administration. Fully utilize existing business subsidy and development programs, such as VEGI, in addition to the proposed public investment.
- Consider public ownership shares commensurate with public investment so as to maximize the return on taxpayer investment.
- If enacted without other program controls, set a cap on total public expenditures associated with any individual zone.
- Limit the period of public subsidization to no more than 5 years.
- If enacted, assign decision-making responsibility for the zone(s) and its operation to a publicly accountable board, such as VEPC, rather than a single individual.
- Allow in-State business relocation and re-development for retail sales purposes, despite the fact that both yield lower public net benefits than export-oriented business uses.
- If enacted without other controls, limit the size of the pilot project zone to the smallest possible geographic area, defined by a single parcel or a small number of parcels.

Sections 3-5, Green Growth Zones – Two Pilot Projects

Many of the same drawbacks present in the proposed Opportunity Zone concept, and more, affect the proposal for Green Growth Zones. This proposal uses a rationale for stimulating renewable energy development to extend tax breaks, permit avoidance and other subsidies to almost any development that may occur within a specified geographic area designated as a “Green Growth Zone.”

Only the presence of a renewable energy generation unit - no matter how small or insignificant - is needed to turn an entire area that “will be directly served by the provision of electricity or building heat from the proposed electrical generation or district heating” into a tax increment financing district, in which anything built becomes tax advantaged. Even if the

renewable energy source provides less than 1% of the energy used in an area, if it is connected to a grid supplying electricity or heat to a geographic area, the entire area may qualify for the generous benefits in this proposed legislation.

This proposal potentially exempts millions of dollars of taxable growth in the State Grand List that has virtually nothing to do with renewable energy development. By doing so, it shifts these property tax costs onto Vermont taxpayers not living in Green Growth Zones with little or no benefit to the State as a whole. If promoting renewable energy is the goal, there are many more targeted, efficient and effective ways to accomplish this.

Tax increment financing (TIF) was designed to spur development in blighted urban areas that had not and were not likely receive any future investment in real estate. There is almost no place in the State of Vermont that could be said to qualify as such. TIFs are aimed at creating a locational advantage that stimulates growth where there would otherwise be none. To the extent any of the growth within a TIF would have occurred elsewhere in the State, TIF subsidies represent a net fiscal cost to the State.

Cost: Unlimited. Potentially more than $50 million over a 20 year period, depending upon the exact geographic zones designated and the amount of development occurring within these zones. For example, a "green" zone that could include a wealthy ski area development and a few solar panels could qualify for tens of millions of dollars in State tax subsidies, with very little renewable energy production. These costs exclude any ratepayer subsidy necessary to provide green zone ratepayers "a discounted rate for electricity generated within the green growth zone," which could represent a substantial additional cost. It also excludes any special treatment associated with VEGI business subsidies, which are not detailed in the current legislation, but alluded to on page 14 of the bill as introduced.

Stimulus Effect: Unlikely to have any significant net beneficial economic impact.

Policy Considerations:

- If renewable energy development is the purpose of this measure, how much incremental new renewable energy generation is likely to occur as a result of this? What percentage of total State electric generation will this represent? Will this really have a material impact on Vermonters' "control over energy costs" or reduction in "greenhouse gas emissions"? If so, by what orders of magnitude?
- How might this proposal affect Education Property Tax rates, especially in a climate of slowing and even declining future Grand List valuations?
- If the renewable energy produced within a Green Growth Zone is more expensive than other available energy, how will the Public Service Board provide Green Growth Zone end-users a "discounted [electricity] rate"? If the end-users in the Green Zone do not pay for this subsidy, who does? How large might this subsidy be?
- Why is there no minimum amount of renewable electrical generation specified as a qualification for "Green Growth Zone" designation?

Other Recommendations:

- Focus this proposal on renewable energy development, not tax increment financing.

- Consider, for example, exempting all renewable energy development from State property taxation for some period of time.
- If enactment of this measure is seriously considered, cap its expenditure level over the 20 year period so as to define and control taxpayer costs.

Section 6, Expenditure Increase for Tourism Marketing from "Excess" Meals and Rooms Revenues

This measure is an obscurely worded appropriations increase for the Department of Travel and Tourism that all but guarantees an additional $2.5 million per year for the next six years for Departmental marketing and promotional activities. The provision does not specify where these additional funds would come from nor what the presumed return on investment this $15 million expenditure would yield. Prior Tax department and JFO analysis of this issue revealed very little causal connection between tourism advertising expenditures and taxable economic activity, suggesting this would be an expenditure that would yield very little payback.

The so-called "excess" amount of meals and rooms tax revenues that would control the new spending increase for FY10 is defined as 75% of the difference between FY07 and FY08 revenues, which totaled $6.2 million, of which 75% equals $4.7 million (of note: there were no "excess" revenues during this period, just strong growth of 5.4%). Since this amount is above the $2.5 million maximum specified in the proposal, the maximum amount would be available in the initial year. Why already-expended revenues from two years ago have anything to do with setting a future FY10 appropriation, is unexplained in this funding formula.

The formula for "excess" revenues in FY11 to FY15 also virtually guarantees an annual additional expenditure of $2.5 million, and represents more than 50% of all forecast Meals and Rooms revenue growth during this period. The only year that is not forecast to grow by at least $2.5 million is FY10 vs. FY09, which is conveniently excluded from this funding formula.

Given current economic conditions, this expenditure increase would result in either offsetting tax increases or spending reductions elsewhere in State government in order to fund this. In either case, the net economic impact would be negligible, and under current conditions likely to be negative.

Cost: $2.5 million per year for six years, for a total of $15 million between FY10 and FY15.

Stimulus Effect: Unproven benefits, if any. Unless funded with outside (such as federal) funding that could not be used for any other purpose, under current conditions, a small net negative impact would be likely.

Policy Considerations:

- What is the role of state government in subsidizing advertising expenditures for certain sectors of the private economy, such as tourism? Is there a reason to subsidize this sector and not others?
- Could coordinated State tourism advertising be privatized?

- What is the return on investment for general tourism advertising expenditures? Why are advertising budgets among the first things to be cut at major corporations during recessionary times?
- What do we expect the result will be, in terms of jobs, tax revenues and economic activity, that this additional public expenditure will buy?
- Does this expenditure increase represent a pressing public priority for State government at this time of severe fiscal stress? How many State jobs would need to be cut in order to pay for this funding increase?

Other Recommendations:

- Clarify language to indicate the certainty that the appropriations increase would total $2.5 million per year. Remove any reference to "excess" revenues, of which there are none. The revenues referenced are already a part of the assumed revenues projected as a part of the State budget.
- Identify the source of the additional appropriation – tax increases (if so, which taxes?), budget cuts (if so which budgets?), or outside funding, if available.
- Ascertain the expected return on investment to be yielded by this spending increase and track and measure this return.

Sections 7-18, Guns and Pets?

These provisions have little or nothing to do with "economic revitalization." Claims of additional State revenues totaling more than $1 million per year from these measures are without serious merit. Additional revenues will be minimal, if measureable, and may not even exceed additional public administrative and enforcement costs.

Cost: Minor.

Stimulus Effect: No significant economic impact.

Policy Considerations:

- Why are these measures included as a part of legislation whose purpose is "economic revitalization"?

Other Recommendations:

- Consider these in other appropriate legislation.

Sections 19-22, Workforce Program Repeal, Student Apprenticeship Program and Energy Workforce Development

These measures add flexibility in how the Commissioner of Labor may allocate workforce development funds and set up a tracking program to help assess program effectiveness. No additional funds are allocated for this purpose.

Cost: None.

Stimulus Effect: Unlikely to have a significant near term impact, but represents an investment in human capital that could be beneficial.

Policy Considerations:

- None.

Other Recommendations:

- None.

Section 23, Energy-Related Workforce Development

These measures institute a new "Energy Workforce Stimulus" plan that is designed to "develop a highly skilled workforce in Vermont that is prepared to participate in a growing, energy-efficient oriented, industry sector." The program will be led by the Vermont Technical College and operate through the College, regional technical centers and comprehensive high schools. ARRA funding for this endeavor will be pursued, but no new funding is provided or guaranteed by the State.

Cost: None.

Stimulus Effect: Unlikely to have a significant near term impact, unless significant ARRA funding is provided, but represents an investment in human capital that could be beneficial.

Policy Considerations:

- None.

Other Recommendations:

- Direct the VOESR to assist the Vermont Technical College in exploring and securing any and all available ARRA funds for this purpose.

Sections 24-26, Time of Sale Energy-Efficiency Ratings

This provision appears to "mandate" minimum energy efficiency ratings for all buildings that are sold, potentially saddling sellers and/or buyers with additional transaction costs, but includes a clause that makes the procedure optional, "provided the buyer or the seller chooses not to avail himself or herself of the requirement of this section."

While mandating this requirement would create transaction costs that could be problematic to real estate markets already reeling from home financing chaos and weak demand, making it entirely optional renders the provision virtually meaningless.

Cost: Minor, since not mandatory.

Stimulus Effect: Negligible.

Policy Considerations:

- If an assessment of energy efficiency potential in the State's buildings is the goal of this measure, why only survey those buildings that are sold? How long would it take to survey all buildings in the State using this method? How current would the data be on the condition of the building stock at any given time?
- Are there other methods of determining the energy efficiency of the stock of buildings in the State that might be cheaper and more accurate?
- If the "requirement" for an energy rating is entirely optional, what percentage of sellers or buyers can be expected to pay for such a rating upon closing? If this is a very low percentage, what value, if any, will it have?
- Are there any federal, state or other supplemental financing options that could help finance these energy reports so as to encourage participation and avoid negative impacts on real estate markets?
- Could a state financing fund be used to pay for these audits that is derived from electric and other related fuel source users who might ultimately benefit from these investments?
- What are the expected paybacks and payback terms for these measures?

Other Recommendations:

- Explore other methods of more accurately and completely assessing the energy efficiency of the stock of Vermont buildings.
- Explore financing options – especially ARRA and other federal possibilities - that minimize negative impacts on real estate markets, especially during current conditions.
- If the provision is entirely optional, discard this measure.

Section 27, Downtown Tax Credit Increase

This measure increases the tax credits available to the Downtown and Village Center Program from $1,600,000 per year to $2,000,000 per year. Although there are many benefits derived from this program, increasing tax expenditures during a period of severe revenue stress is of questionable value, since the negative impacts of offsetting budget cuts or tax increases may exceed economic benefits from new program expenditures.

Cost: $0.4 million per year.

Stimulus Effect: Virtually none.

Policy Considerations:

- Why is an additional expenditure for this program a higher priority than avoiding cuts in essential State services?
- Are there any federal stimulus funds that may be used for this program or for the benefit of downtown and village centers?

Other Recommendations:

- Fully explore federal ARRA funding possibilities for this and/or related programs to benefit downtown and village centers.

Sections 28-29, CFED Economic Development Plans

The provision terminates the Commission on the Future of Economic Development (CFED) without replacing it with any other comparable economic development planning entity. As noted above, the absence of a comprehensive economic development plan is one of the most glaring deficiencies in State economic development policy. The need to articulate and coordinate a coherent state economic development strategy is evident in the many overlapping proposals advanced in this legislation. CFED had begun to develop such a plan and planning process. If it is to be abolished, it should be replaced with a successor entity with much the same purpose.

Cost: No direct costs, however, the absence of a credible economic development planning function has been extremely expensive, as measured by wasted taxpayer expenditures on failed programs and poorly coordinated development efforts.

Stimulus Effect: Unlikely to have a significant near term impact, but could generate ideas that lead to widespread future fiscal and economic benefits.

Policy Considerations:

- If CFED is abolished, what entity will perform credible State economic development planning and research?
- If there is to be such an entity, will it be represented and empowered by key legislative and executive branch interests so as to have credibility and meaningful purpose?
- Is it feasible to consolidate economic development and planning functions in a single group, such as CFED?
- Can such a group generate actionable information and intelligence upon which credible policy options can be developed?

Other Recommendations:

- Whether in CFED or a successor entity, it is essential that economic development planning is coordinated by a single entity with credibility across all branches of government.
- If enacted, create a successor entity to perform these functions.

- Utilize information and specific policy analysis prepared by this entity in the development of timely, coherent and comprehensive economic development planning.

Sections 30-33, Miscellaneous VEPC/VEGI and TIF Amendments

These amendments are almost all technical in nature and improve or clarify the operation of the VEGI tax incentive program.

Cost: None.

Stimulus Effect: None.

Policy Considerations:

- None.

Other Recommendations:

- Consider joint VEGI Technical Working Group review of all such program changes.

Sections 34-36, Small Scale Hydroelectric Projects

These changes will facilitate the development of small scale hydroelectric generation. Although they will not have a large economic impact, there is no cost to this and there are environmental and energy benefits to the State.

Cost: None.

Stimulus Effect: Unlikely to have a significant additional impact.

Policy Considerations:

- Are there additional ways to further encourage small hydroelectric development?
- Are there additional ways to encourage hydroelectric projects of all sizes?

Other Recommendations:

- Explore federal ARRA funding opportunities to encourage and fund Vermont micro-hydro power generation.

Sections 37-38, Stormwater Permitting

This is primarily an environmental and permitting measure and should be reviewed by environmental experts with no financial stake in the outcome. The many permitting avoidance and streamlining measures submitted as apart of this legislation should receive close scrutiny by environmental experts so as to preserve critical environmental safeguards

that affect agriculture, tourism, the Vermont "brand," and quality of life issues that have huge potential impacts on the Vermont economy.

Cost: Minor.

Stimulus Effect: Unlikely to have a significant additional net impact.

Policy Considerations:

- Will these changes compromise critical environmental standards?
- What other unintended negative impacts could these changes have?

Other Recommendations:

- Review by independent environmental experts in the employ of the legislature and/or Agency of Natural Resources.

Section 39, Stormwater Permitting and Wind Facilities

See comments above, for Sections 37-38. Because this measure is focused on wind energy development, it may have added benefits in facilitating the development of such renewable energy sources in the State.

Cost: Minor, if any.

Stimulus Effect: Unlikely to have a significant additional net impact, but could help encourage the development of renewable wind energy in the State.

Policy Considerations:

- Will these changes compromise critical environmental standards?
- What other unintended negative impacts could these changes have?

Other Recommendations:

- Review by independent environmental experts in the employ of the legislature and/or Agency of Natural Resources.

Sections 40-48, Wireless Permitting

This proposal appears to streamline permitting of wireless communications facilities. As such, it should be reviewed by a permitting and environmental expert. The economic impacts, while probably positive, are minor.

Cost: None, unless environmental.

Stimulus Effect: Unlikely to have a significant net economic impact.

Policy Considerations:

- Are there any potential negative impacts associated with these proposed changes?

Other Recommendations:

- Consider review by independent environmental and communications experts.

Sections 49-57, Act 250 and Other Environmental Permit Changes

These changes almost all pertain to permit avoidance and streamlining. Act 250 exclusions will primarily serve to speed up projects that might happen otherwise, but cannot be considered to be pivotal in creating development that would not otherwise occur in order to meet normal market demand. There may also be net fiscal costs to skirting Act 250 safeguards to development. Act 250 has served to shape development in Vermont in a way that supports and contributes to critical tourism industry revenues and other unique and beneficial land use characteristics in the State. The overwhelming majority of Act 250 applications are approved. Those that are not are often projects that have unacceptable characteristics that represent real costs to the State. Unless there is a compelling reason Act 250 does not function as intended in this instance, there may be additional costs to such projects that should be evaluated and measured in the context of this proposal.

As with all other permit-related measures herein, an impartial environmental expert should review these provisions before enactment.

Cost: Minor.

Stimulus Effect: Unlikely to have significant near term net economic effects.

Policy Considerations:

- Are there any negative externalities to these changes that should be considered?

Other Recommendations:

- Review by an impartial environmental expert.

Sections 58-65, Act 250 and Federal Stimulus Measures

These measures are presumably designed to maximize and accelerate uses of available federal stimulus funding to the State by streamlining permitting processes in order to obtain and utilize ARRA funding. As such, they are among the most important and impactful economic stimulus and economic development policies available to the State at this time. Every effort should be made to insure that these funds are fully utilized and expended in ways that maximize local economic impacts, consistent with the environmental standards of the State.

Cost: None

Stimulus Effect: Very substantial potential immediate and longer term impacts.

Policy Considerations:

- Are we maximizing receipt and use of all federal monies available?
- Are there any "bottlenecks" that are, or might in the future, limit our ability to secure and apply all federal funds now available to the states?
- Are there any other extant or planned federal programs or provisions that Vermont could take advantage of during these extraordinary times?
- What environmental or other risks may exist by exempting these projects from the normal State permitting processes?

Other Recommendations:

- Apply all available resources to insure that the State is fully securing , leveraging and utilizing all available federal funds.
- Examine and monitor all other federal programs that may represent opportunities for Vermont to leverage outside federal funds.
- Remain in close contact with Vermont's Congressional delegation to identify and advance issues that affect state needs and budgetary conditions.
- Review and mitigate, if possible, any environmental and other negative externalities that may arise from the accelerated permitting of these projects.

Section 66, Legislative Priorities for Federal Stimulus

These provisions specify particular projects for use of ARRA funds. While some ARRA-qualifying projects may have more beneficial economic impacts than others, the use of any and all ARRA funds should be a top legislative priority.

Cost: None.

Stimulus Effect: Substantial and immediate.

Policy Considerations:

- Why should these particular projects have priority over any others?
- Should competing projects that qualify for ARRA funding be formally ranked, based on beneficial net economic impacts or other criteria?

Other Recommendations:

- Prioritize ARRA funding based on the net beneficial economic impact of competing projects.
- Maximize the receipt and expenditure of all available ARRA funding.

Section 67, Legislative Oversight of Stimulus Funds and Transparency

This provision sets up a legislative oversight committee to maximize receipt of federal ARRA funds available to the State and to control their use. This is an essential function that should receive top legislative priority. If this committee requires staffing and resourcing (which is hard to believe it will not) in order to accomplish its objectives, these should be provided at the earliest possible date. The return on investment from such funding is unlikely to be matched anywhere in State government over the next two years.

Cost: None, as proposed, but should be fully funded as necessary to maximize receipt of ARRA funds.

Stimulus Effect: Potentially enormous. It has been estimated that more than $1.4 billion may be available to the State of Vermont in ARRA funds. This represents more than 5% of State GSP and could result in the creation of more than 10,000 jobs. While much of this funding is allocated by formula, substantial amounts are by application, on a first come, first serve basis. Vermont will need an aggressive, well-funded State organization to successfully compete for, and maximize receipt of, these funds.

Policy Considerations:

- Is the proposed committee sufficiently funded and staffed to accomplish its objective? If additional resourcing is required in the coming months, are there provisions to accommodate this?
- Will the committee meet frequently enough to expedite decisions and thoroughly review opportunities for ARRA funding?

Other Recommendations:

- Consider staffing and funding requirements so as to insure maximum receipt of federal funds.
- Consider supplemental funding mechanisms if additional resourcing is required after the current legislative session ends.

Section 68, Stimulus Funds and SBA Loan Program

This provision targets receipt of available ARRA funds for Small Business Association loan expansion. This is exactly the type of opportunity that should be rapidly pursued on behalf of the State.

Cost: None.

Stimulus Effect: Could be substantial and near term.

Policy Considerations:

- What other related ARRA opportunities may exist in support of small business development in the State?
- Could ARRA funds be used to supplant State funds for similar purposes (such as VEDA funding, etc.)?

Other Recommendations:

- Do whatever is necessary to expedite receipt of federal funds from this opportunity.
- Explore other related opportunities and whether federal ARRA funds may be used to supplant existing or planned State expenditures in support of small business development in the State.

Sections 69-70, RFPs for Cloud Computing E-Mail Systems

This is primarily an administrative efficiency measure, which could save costs at some point in the future.

Cost: None in order to release an RFP.

Stimulus Effect: Negligible.

Policy Considerations:

- What security risks may arise as a result of a cloud computing e-mail system for the State?
- What are the expected costs and benefits from such a system?

Other Recommendations:

- None.

Section 71, Clean Energy Development Fund Governance

This measure consists entirely of administrative and operational changes recommended by the Department of Public Service. It has no expenditure associated with it, nor is it likely to have significant, if any, economic impacts.

Cost: None.

Stimulus Effect: None.

Policy Considerations:

- None.

Other Recommendations:

- None.

Sections 72-74, Motion Picture Business Subsidies

This measure intends to engage Vermont in what the Federal Reserve Bank of Boston New England Public Policy Center (NEPPC) calls a potential "race to the bottom" among states vying for film production activity through the use of ever more aggressive and expensive tax credits.[2] Unfortunately, the NEPPC (and many other impartial studies, including one performed by KRA for the Vermont Film Commission in 2005) found tax credits such as those proposed in this section: 1) Do not pay for themselves; 2) May have little impact since many other states (and countries) have for some time offered equal or more generous subsidies than those proposed herein; 3) Are not as effective as other state business development expenditures; and 4) Generate economic benefits that are short-lived.

Using the Vermont State REMI model, and including all direct, indirect and induced economic impacts, it has been estimated that no more than about 5% of the gross in-state production expenditures for films shot in Vermont could be realized as a fiscal benefit.[3] Thus a 25% or 30% tax credit against payroll (usually the largest single expense) and 30% against all other Vermont production expenses, would result in a net fiscal cost of 5 to 6 times the fiscal benefit.

If there is some other public good derived from this expenditure, it may be worth the cost. If the sole objective is State economic growth and job creation, there are almost certainly many more effective and less expensive ways to achieve this.

Even if enacted, there is a very real question as to whether or not the incentives offered would be large enough to attract film production from other states that offer comparable or larger incentives and have extensive supporting industry infrastructure.

For example, New Mexico offers similar refundable credits but also provides no interest investment loans from the state of up to $15 million per project, with no money down required by the production company. New York offers higher refundable credits and much more extensive film support infrastructure, with similar landscapes and climate to Vermont (in addition to urban settings). Connecticut also offers more expansive incentives and comparable scenic amenities to Vermont. More than 40 states now offer similar incentives.

Vermont may be too late and too little to compete in this arena through the use of refundable tax credits. Larger states, such as New York, that have a sizeable existing film industry to defend and a much more substantial tax revenue base, will be difficult to outspend. Smaller states, such as New Mexico and Louisiana, that were early entrants in the tax credit competition (and/or have chosen to subsidize this sector with oil and gas royalty revenues),

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[2] See Appendix A for NEPPC report summary. Full text is available at: http://www.bos.frb.org/economic/neppc/memos/2009/weiner011609.pdf

[3] See Appendix A, KRA analysis and memo to Steve Klein, dated April 26, 2005

will be similarly difficult to displace. From a strategic perspective, there may be better industries and development niches upon which to focus.

Cost: Potentially substantial – $7.6 million per year or more. Even with an established film industry infrastructure, fiscal benefits would not be likely to exceed about 20 cents for every dollar of tax credits expended.

Stimulus Effect: Unlikely to be significant. Even if the State is successful in luring a film or two from states with much more generous tax provisions, the fiscal cost in an environment of severe revenue shortfalls will result in offsetting state government spending or employment cuts.

Policy Considerations:

- Can the State of Vermont compete with other states in attracting film production activity? Why would a film company choose Vermont over states with more generous credits and comparable scenic and climatic attributes? If Vermont proposes even more generous subsidies than those herein, why would leading film production states not match or better these?
- If we cannot successfully compete in film production, is there a reason to continue to fund the Vermont Film Commission? Are there other film-related activities (such as film festivals, etc.) that the Commission could pursue and offer a better return on public investment?
- Is this the best use of scarce public funds, compared to other state programs and other economic development initiatives?

Other Recommendations:

- Request an unbiased strategic assessment of whether or not the State can "win" in a competitive tax subsidy war with other states for film production activity.
- If not, withdraw from this initiative in favor of areas in which the State has a competitive advantage.
- If enacted, consider calibrating credits such that they produce a net positive return on public investment (even though this will continue to leave the State at a competitive disadvantage relative to other states), as is done with VEGI tax credits, and/or a lower cap that would serve to protect taxpayers against excessive cost.

Section 75, Sales Tax Holiday

This provision is among the most misguided of State policy initiatives proposed herein and would likely result in a net *decline* in Vermont employment and economic output. Unlike federal government tax cuts, which are paid for by increased borrowing and thus can have stimulative net economic effects, State tax cuts such as these must be paid for with either deeper spending cuts or offsetting tax increases. In either case, but especially if spending cuts result in job reductions, the net economic impact at best will be close to nil, and at worst, will be slightly negative.

Both of these provisions tend to favor relatively wealthy consumers, who can afford to time their purchases to arbitrary "holiday" dates and can afford a big ticket purchases. This program component may serve other political or social objectives, but it will do nothing on balance for the Vermont economy during a time of recession. It is hard to imagine that the most pressing need of the people of Vermont is a temporary tax cut primarily benefiting those who can time large discretionary purchases to a particular weekend.

Cost: At least $2-$3 million, with further analysis pending.

Stimulus Effect: Likely to have a small net *negative* impact on both employment and economic growth.

Policy Considerations:

- Sales tax holidays have been widely used by states in recent years, primarily as a way to provide temporary tax cuts during times of budget surplus. There is no credible literature, however, that suggests such holidays result in anything but net revenue losses at the state level, and therefore produce no net stimulus to the economy.[4] At a time of severe revenue stress, budget cuts affecting essential State services and State layoffs, why would we seek policies that further reduce revenues and require even deeper cuts and/or layoffs? Why would the State ever pursue a policy that could result in a net employment decline?

Other Recommendations:

- If there is an overriding public purpose in enacting this provision aside from its economic benefit, it should be clearly stated. If there is none, the provision should be dismissed as having any no net economic benefit to the State.

Section 76, Tax-Credit Bond Financing for Schools

This provision recognizes ARRA funding to support school bonding activities. As such, it encourages utilization of federal funding to support local bonding for school building construction and rehabilitation, equipment purchases the development of course materials and teacher and personnel training.

Cost: None.

Stimulus Effect: Potentially substantial.

Policy Considerations:

- Is further supporting State action necessary to insure that all school bonding authorities are aware of relevant ARRA provisions such as this and take full advantage of them?

[4] See, for example, *Sales Tax Holidays 1997-2007: A History*, from State Tax Notes, March 31, 2008, by Adam Cole

- Should there be State follow-up on the receipt and use of these funds?

Other Recommendations:

- Consider whether additional State support is necessary for the receipt and utilization of these funds.
- Charge the VOESR and Legislative Oversight Committee with following up on the maximum receipt and use of these funds.

Sections 77-85, Transportation – Necessity Determinations

This provision is primarily administrative in nature and does not have substantial economic impacts.

Cost: None.

Stimulus Effect: Insignificant.

Policy Considerations:

- None.

Other Recommendations:

- Request review by impartial legal and/or environmental expert.

Section 76, Stimulus Reimbursement for Utility Relocation

This measure facilitates the receipt and expenditure of federal ARRA funds by reimbursing utilities and municipalities for relocation costs. All reimbursement costs are to be covered by federal stimulus or other federal funding sources.

Cost: None.

Stimulus Effect: Significant, if allowing ARRA funds to be received and used.

Policy Considerations:

- None.

Other Recommendations:

- None.

Section 87, Stimulus Funding for School Construction

This provision enables the Commissioner of Education to create a list of school districts that may be eligible for federal stimulus funding for school construction.

Cost: None.

Stimulus Effect: Potentially significant, if ARRA funding is secured.

Policy Considerations:

- Are there ways this process can be accelerated and enhanced so as to insure that all possible ARRA funds are utilized by Vermont school districts? If so, what would be needed to do so?

Other Recommendations:

- Consider additional support for expediting and utilizing all available ARRA funding in support of local school construction.
- Consider follow-up action by the VOESR and the Legislative Oversight Committee to insure that all available ARRA funding is utilized for this purpose.

Sections 88-93, Tax Increment Financing

The provisions in these sections seek to expand tax increment financing (TIF) as a way to gain additional State subsidization of local development projects and local public works projects connected with such development.

While identifying, attracting and directing federal stimulus funds to local government projects could be an important State function with powerful economic stimulus impacts, there are no provisions the entire "Vermont Reinvestment and Recovery Act" that explicitly serve to do this, with the exception of school funding in Section 87. In contrast to federal stimulus funding, the tax increment financing provisions in these sections will do nothing to stimulate net economic activity at the State level. They will primarily serve to shift the tax burden for local government and private development expenditures to the State, diminishing the State Education Fund tax base and potentially costing taxpayers in non-TIF areas hundreds of millions of dollars over the next 20 years.

As noted in Sections 3-5, tax increment financing was designed to spur development in blighted urban areas that had not and were not likely receive any future real estate investment. There is almost no place in the State of Vermont that could be said to qualify as such. TIFs are aimed at creating a locational advantage that stimulates growth where there would otherwise be none. To the extent any of the growth within a TIF would have occurred elsewhere in the State, TIF subsidies represent a net fiscal cost to the State.

While understandably advantageous to the receiving community and the private developers involved, there is no discernable reason for taxpayers in the rest of the State to subsidize these communities and developers. The benefits from TIFs are almost entirely local, and

thus the costs should appropriately be borne at the local level. If such projects are of value to a local community, and/or necessary for a proposed development, they should be funded by the local community and/or the private developer. There is almost never a compelling public interest at the State level for such development. Municipal taxing and bonding authority and private development profits exist at the local level sufficient to fund necessary local infrastructure for any development for which there is local demand.

Unfortunately, tax increment financing has been sold and expanded on the basis that "but for" State TIF funding, no development would occur. While this may be true at the local level (namely, "but for" the funding, the development would not have occurred in a particular town or area), it is almost never true at the State level (namely, that if there is demand for a particular type of development in the State, it will occur somewhere in the State).

The primary effect of existing TIF subsidies has been to reduce the taxable Grand List used to fund State education expenditures. While such subsidies represented a barely noticeable diminishment of the tax base during recent years, when the Grand List enjoyed double digit growth and property tax rates could be reduced every year while still generating revenue growth, this external economic environment is about to radically change. As Grand List growth flattens and even declines in the coming years, property tax rates will need to increase to accommodate any education spending growth and tax base exemptions such as TIFs will necessitate even greater tax rate increases. Increasing the number of TIFs and extending existing TIFs, as proposed in these sections, will only exacerbate the need for such property tax rate increases.

In contrast to the original intent of tax increment financing, proposed TIFs have also tended to be concentrated in areas that are the most economically advantaged in the State, rather than the least. Of the nearly $8 million in State TIF subsidies dispensed to date, more than 97% have been in the Burlington metropolitan area. Since development pressure is the greatest where general economic growth and market demand is strongest, this is where TIFs have been most prevalent. The effect of this, however, has been to shift the State tax burden from higher growth areas to those with little or no growth. This not only serves no credible public policy purpose, it is unfair to the majority of Vermont taxpayers.

Cost: Unlimited. Potentially more than $200 million over the next 20 years. Probably at least $100 million over 20 years.

Stimulus Effect: Virtually no net stimulus impact.

Policy Considerations:

- Why should the State subsidize development specific to a local municipality? If there is a compelling State interest in doing so, what is the best mechanism for providing this funding?
- What is the rationale for providing a tax subsidy to a specific geographic area, resulting in unknown potential costs, rather than a specific project or municipality, with known and fixed costs?
- Is it reasonable to expect that all local Vermont municipalities can understand and apply for all potential ARRA funds available to them? If not, is the State doing

everything possible to assist local governments in securing maximum ARRA funding for local infrastructure projects and other needs?

Other Recommendations:

- Assist local Vermont municipalities in maximizing receipt of federal stimulus funding through additional staffing, if necessary, of the Vermont Office of Economic Stimulus and Recovery (VOESR), and/or other State initiatives. Provide grant-writing services, identify potential project recipients and coordinate applications for municipal infrastructure and other projects that may qualify for ARRA funding.
- Reduce or eliminate State tax increment financing in favor of funding support for specific, defined projects, with known costs, rather than projects defined by geographic areas.
- Consider alternatives to tax increment financing as mechanisms for State subsidization of local infrastructure development, such as direct State grants, State financing and bonding support and need-based funding. Create a policy study group to analyze and recommend such alternatives.
- If enacted, track and report no less than annually on State tax losses resulting from prior and future tax increment financing agreements and identify recipient municipalities and projects.
- If enacted, allow the technical changes in Section 88 and Section 89(b) and (a)1, but do not allow (a)2 extensions from 5 to 10 years. If there are delays of more than 5 years in utilizing a TIF, external conditions may have materially changed and VEPC reauthorization should be required.
- If enacted, place a State expenditure cap on each TIF.
- If enacted, reduce the time horizon for TIFs from 20 years to 10 years, with no renewal option.
- If enacted, disallow Section 92, which potentially extends existing TIFs indefinitely and expands the number of TIFs and corresponding State costs by 67%.
- If enacted, consider disallowing residential properties from TIFs. Such exemptions virtually never pass a valid “but for” test at the State level.

Sections 95-99, Publicly Subsidized Seed Capital Fund

This fund is not a new idea – similar funds have been authorized by the legislature over a number of years, with little or no success in attracting sufficient capital to initiate investment. It is not clear, despite a generous 10% cushion on returns guaranteed by Vermont taxpayers, that in an environment of extreme capital scarcity, this will fare any better. With a capitalization period extending to 2020, it could be a long time before the State experiences any meaningful benefit from investments from this fund. Although the latest version of this legislation now looks to funding from ARRA sources, it reverts to State tax expenditures if ARRA funding cannot be secured by 2011.

Cost: Potentially $5 million, over five years, unless possible to fund with federal ARRA stimulus sources, in which case there is no cost.

Stimulus Effect: Given the difficulty in attracting capital in the past, current capital market conditions and lags in establishing, processing and disbursing funds, the near-term economic

impacts are likely to be minimal, unless funded by ARRA sources. If funded by federal sources, stimulus effects could be significant and positive, though slow in impacting the regional economy.

Policy Considerations:

- Why would a state-controlled and state-supported investment institution be better able to determine investment risks and manage investment relationships than private banks or other private investment firms? Is this a "business" the State should be in?
- Are there other ways the State could more efficiently encourage high risk, local, small business investments?
- Are there existing public or private entities that could be used to manage and effect the same outcome without establishing a new board, new fund and new public/private bureaucracy?
- Are there ways Vermont could structure such public support and financing that would differentiate it from other states and provide a competitive advantage?

Other Recommendations:

- Consider direct State ownership of investment shares, instead of or in addition to tax breaks to investors, so as to provide the State with greater upside return on investments. Partial or full divestments could be made when firms reach a certain size or leave the State.
- Consider other less expensive promotional State identification of emerging "winners" and facilitation and amplification of private capital flows to these firms.
- Consider a broader program that would allow any private equity firm to offer a "Vermont tax-advantaged" fund with rules that direct investment to targeted Vermont firms. This could have the added advantage of attracting private investment attention to in-State firms that could qualify as investment recipients.
- Effect a screening mechanism similar to the VEPC "but for" test to help protect against unnecessary public expenditure.
- Transparency: All investment recipients, investment positions and information associated with investment purpose should be public information and reported in a timely manner to the public. All relevant financial information associated with the fund should be publicly available so as to allow program effectiveness follow-up and review. The program should be periodically reviewed by the State Auditor to insure adherence to public intent and interests.
- Correct what appears to be a typographical error on line 17 of page 151, which now states an effective date of "July 1, 2001," instead of July 1, 2011.

Section 100, Licensed Lender Laws

This provision eliminates licensing requirements for small commercial lenders (persons who make no more than three commercial loans in a year) and non-profit educational lenders. Presumably, this could enhance capital availability by allowing additional lending flexibility.

Cost: None.

Stimulus Effect: Minor - Unlikely to have a significant economic impact.

Policy Considerations:

- What was the purpose of the original thresholds for such licensing?
- Might there be any unintended negative consequences from this change?

Other Recommendations:

- None.

Section 101, Clean Energy Development Fund

This proposal expands the potential approved uses for the State Clean Energy Fund without providing any additional funding. Although the specific additional uses require clarification, additional expenditure flexibility may be beneficial.

Cost: None, unless the fund's original purpose is diminished by expanding approved areas of expenditure.

Stimulus Effect: Unlikely to be significant, if any.

Policy Considerations:

- Are the areas of expanded expenditure consistent with the Fund's original purpose?
- Were there specific denials by the Public Service Board of particular requests that this legislation is designed to correct? If so, what were the denied expenditures for?
- Could the expanded uses be described more narrowly, so as to avoid broad categories that could lead to unintended uses?

Other Recommendations:

- Provide specific examples of "emerging energy efficient technologies" that are now to be included for fund expenditures.
- Be as specific as possible regarding allowed Fund uses so as to avoid categories that could include unintended uses.

Section 102, Technology Loan Program

This proposal encourages the disbursement of higher risk loans by VEDA to "technology-based companies" in Vermont. It supports this with a loan loss pledge of an additional $1 million to VEDA.

Cost: Potentially $1 million, though not likely to occur in any single year

Stimulus Effect: Likely to be minor as now constructed, with net negative potential, depending upon loss rates.

Policy Considerations:

- Are there any ARRA sources that could be used to fund or provide loan loss pledges for this fund?
- What are "technology-based companies?" Who is responsible for defining which companies qualify and which do not?
- Is high risk capital lending a business the State of Vermont should be in? Can the public sector pick high risk "winners and losers" among borrowers better than the private sector?
- What lending guidelines guarantee that the loans will result in the "creation of high-wage employment in Vermont?"
- The VEDA Mission Statement emphasizes its purpose in the "creation and retention of quality jobs in Vermont," but does not differentiate between funding for jobs that may compete with existing Vermont businesses (which result in no net new jobs) vs. those that do not (generally export-oriented businesses). Why is this?
- Are there other, more efficient ways, capital availability could be expanded to deserving firms?

Other Recommendations:

- Institute guidelines that attempt to insure job growth (perhaps via coordinated VEGI applications), maximize economic impacts (such as emphasizing export-oriented firms and avoiding competitive cannibalization of existing Vermont firms) and insure some public payback (such as through use of a "but for" review and test).
- Consider a clearer definition of "technology-based companies," or extend to any company that represents a clear economic benefit via a VEGI application and cost-benefit model review.
- Consider implementing program follow-up measures to assess effectiveness in achieving program goals.

Section 103, Study of Wage Threshold Changes for VEGI Program

This proposal redirects a prior VEGI proposal to reduce the minimum wage threshold for all VEGI applicants by 25% to a review by the VEGI Technical Working Group (TWG) so as to further study potential impacts and specific policy options.

The originally-proposed wage threshold reductions could have a significant effect on the calculations of award levels used in the cost-benefit model that attempts to calibrate State costs vs. benefits from this program, since low wage jobs are often accompanied by much higher public benefit expenditures. Since this same Technical Working Group developed the operational procedures for the existing VEGI program, this is an appropriate place for review of significant program changes such as this.

Cost: Minor or none.

Stimulus Effect: No net stimulus impact until recommended changes, if any, can be evaluated.

Policy Considerations:

- Is there a policy rationale for lowering the minimum wage rate for qualifying VEGI applicants when "high wage jobs" are a primary goal of the program?
- How many VEGI applicants have been rejected due to below threshold wages in their applications? Which firms were these and what region and economic sector(s) are they in?
- With the Vermont livable wage for a two person household (where both persons work full time and receive employer benefits) at $13.07, why would the State wish to lower the equivalent VEGI threshold from $12.90 to $9.67?
- Has there been any consideration given to the fact that changing the minimum VEGI wage could have a significant impact on the measurement of State costs in the cost-benefit model? If so, why was there no re-specification and adjustment of the cost-benefit model included in the original proposal?

Section 104, Sustainable Jobs Fund Loss Reserve Expansion

This provision pledges $250,000 of the full faith and credit of the State to VEDA for use by the Vermont Sustainable Jobs Fund program for loan loss reserves.

Cost: $0.25 million.

Stimulus Effect: Minor, but positive.

Policy Considerations:

- See considerations for other VEDA lending operations, such as Section 102, above.
- Are there any ARRA funds available for this or related purposes?

Other Recommendations:

- See recommendations for other VEDA lending programs, such as Section 102, above.
- Explore ARRA funding for this and similar purposes.

Section 105, Avoidance of State Minimum Wage Decline

This provision protects against a possible minimum wage decrease, in the event that the Consumer Price Index (CPI), upon which the State minimum wage is tied, declines. Since several prominent economic forecasts now predict a slight decline (approximately -1.0%) in the CPI in calendar year 2009, without this provision, it is quite possible the State minimum wage would also decline.

Cost: Minor.

Stimulus Effect: Virtually none.

Policy Considerations:

- Would employers necessarily lower existing workers' pay if the minimum wage declined?
- What workers and sectors of the economy would be most affected by a minimum wage decline?
- Are there other State policies and payments that may be indexed to the CPI (or similar measures) that could also be adversely affected by a decline in the CPI? If so, what impacts might be expected from this unusual event?

Other Recommendations:

- In order to preserve disposable income among the lowest paid workers, this measure is reasonable.
- Review any other State provision that may be indexed in any way to the CPI or other inflation measure to determine potential impacts and possible policy options to mitigate these impacts, if detrimental.

Sections 106-107, ARRA Stimulus Funding and Unemployment Insurance

This provision initiates a training program for unemployed workers in order to qualify for substantial additional ARRA funding. This program will both benefit Vermont workers who have exhausted regular unemployment compensation but are enrolled in a qualifying job training program, and allow the State to qualify for nearly $14 million in ARRA funds.

Cost: None.

Stimulus Effect: Substantial and immediate.

Policy Considerations:

- Is there anything else that can be done to expedite establishment of this training program so as to secure ARRA funding?
- Are there ways these funds can be spent so as to maximize benefits to both Vermont workers and Vermont companies?

Other Recommendations:

- This is an excellent example of a focused response to secure federal ARRA funds with a direct and substantial positive net economic impact.
- If there are any additional resources necessary to expedite this process and receipt of these funds, they should be provided.
- The VOESR and Legislative Oversight Committee created in Section 67 should follow-up on this to insure full ARRA funding is secured at the earliest possible date.

Section 108, State Contract Compliance

This measure is more administrative than economic, although part (c) of the provision will facilitate receipt of ARRA funds by assuring compliance with relevant labor laws.

Cost: Minor.

Stimulus Effect: To the extent it may affect ARRA funding receipt, part (c) it could be significant.

Policy Considerations:

- What costs may be associated with parts (a) and (b) of this provision?
- What are the expected benefits associated with these parts?

Other Recommendations:

- Any portion of this provision necessary to receive ARRA funding should be passed immediately.

Sections 109-110, Prejudgment Interest

This provision encourages faster payment of civil judgments. Its impacts are more administrative than economic.

Cost: None.

Stimulus Effect: Virtually none.

Policy Considerations:

- None.

Other Recommendations:

- None.

Sections 111-112, Farm to Plate

This provision encourages the Vermont "farm-to-plate" investment program through additional research, collaboration with State entities and exploration of funding sources.

Cost: Minor, if any.

Stimulus Effect: Positive, though benefits are unlikely to be immediate.

Policy Considerations:

- If this is of value in creating local jobs and high quality food products, should more be done to promote and support this endeavor?
- Is there any ARRA or other federal funding that may be available to support and amplify this effort?

Other Recommendations:

- Explore all possible options for federal funding of this and related endeavors.
- Review impacts from this program so as to assess future funding priorities.

Sections 113-117, VHFA Moral Obligation on Pledged Equity Funds

This complex financial provision expands the Vermont Housing and Finance Agency's ability to pledge the State's commitment of moral obligation so as to more easily attract additional capital during this time of stress in both real estate and financial markets. It authorizes the creation of special "pledged equity" funds, in addition to existing debt-service-reserve funds, backed by the State's moral obligation.

This provision should be thoroughly reviewed by the Treasurer's Office in order to ascertain potential risks, costs and other policy considerations before enactment.

Cost: Unclear – requires analysis and review by the Treasurer's Office, and/or further JFO research.

Stimulus Effect: Likely to be minor, but potentially positive.

Policy Considerations:

- What are the risks to the State by extending "moral obligation" to these funds?
- What are the potential costs?
- What is VHFA's current financial condition, given rising housing foreclosures, unemployment and limited credit availability?
- What are the expected measureable benefits of these provisions? How much additional capital might these measures enable? How might it affect the cost of these funds?

Other Recommendations:

- Request a complete review of these provisions and recommendations from the Treasurer's Office prior to enactment.

Section 118, Municipal Revenue Bonds

This section consists largely of technical changes to municipal revenue bonding that may improve a municipality's ability to issue bonds.

Cost: None.

Stimulus Effect: Minor, but positive, if it increases near term municipal borrowing.

Policy Considerations:

- None.

Other Recommendations:

- None.

Section 119, Research and Development Tax Credit

The primary benefit from this tax credit is to firms that now utilize the federal tax credit for research and development activities. While encouraging direct employment in research and development and the types of occupations typically performing this work (scientists and engineers), this is a relatively miniscule component of total employment and the linkages to broader economic and employment gains are indirect and uncertain.

Of note, the Wall Street Journal recently reported[5] that R&D spending has been "holding steady" among U.S. firms, despite declining sales and cuts elsewhere. Total R&D spending in the last quarter of 2008 was down less than 1% from year ago levels, even though sales had dropped nearly 8%. This indicates that R&D may not be the part of the economy most in need of further public subsidization.

Cost: The Tax Department estimates approximately $1-$2 million per year.

Stimulus Effect: Virtually none. This provision is unlikely to create significant additional R&D activity in the State, especially given economic conditions, and even if it did, the link between such expenditures and job creation are tenuous, at best.

Policy Considerations:

- Do we know the firms in the State who now take the federal credit upon which this is based and exactly what "R&D" they now do to qualify?
- Are these firms we wish to advantage by providing them with additional tax credits relative to other firms operating (and especially those owned and headquartered) in Vermont?
- Is this the best use of scarce State resources, compared to other economic development needs?
- Are there more specific ways to target State economic development incentives to activities that lead to jobs? If not, would a general corporate tax reduction –

[5] See Wall Street Journal, April 6, 2009, page 1, "*R&D Spending Holds Steady in Slump*."

temporary or permanent - be a fairer and more widespread way to support business research and innovation?

Other Recommendations:

- Request more detailed analysis from the Tax Department to ascertain characteristics of firms that may be beneficiaries of this additional tax credit.
- Consider support to firms that are proposing job growth, not just R&D growth.

Section 120, State Reimbursement for Town Burials

This measure, which directs the State to pay for burial costs, has nothing to do with economic reinvestment or recovery.

Cost: Unknown.

Stimulus Effect: None.

Subjective Policy Grade: NM

Policy Considerations:

- Why is this measure included in the "Vermont Reinvestment and Recovery Act?"

Other Recommendations:

- Remove to relevant legislation.

APPENDIX A

Supplementary Materials Relating to Sections 72-74
Motion Picture Business Subsidies

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MEMORANDUM

NEW ENGLAND PUBLIC POLICY CENTER

Any views expressed in this memo are not necessarily those of the Federal Reserve Bank of Boston or of the Federal Reserve System.

To: Ellen Scalettar, Director of Policy, Research & Legislation for the Connecticut Senate Democrats
From: Jennifer Weiner, Policy Analyst
Date: January 19, 2009
Re: Cost-benefit analysis of Connecticut's film tax credit

You expressed interest in a cost-benefit analysis of Connecticut's tax expenditures, with a particular emphasis on corporate tax credits and other business benefits. This memorandum focuses on one of Connecticut's most prominent corporate tax credits, the film and digital media production credit ("film tax credit" or "film credit").[1]

Major points

- **The state is devoting considerable public resources to the film tax credit.** According to the state's 2008 tax expenditure report, the estimated cost of the film tax credit for fiscal year 2009 (FY 2009) will be $90 million—higher than estimates for any other corporate tax expenditure for this fiscal year including tax credits for fixed capital investment ($60 million), research and experimentation ($10 million), and general job creation ($10 million).

- **The economic benefits of the film tax credit extend beyond the film industry, but are offset to some degree by reductions in government spending necessary to keep the state's budget balanced.** As film production companies spend money in Connecticut new dollars are injected into the state's economy leading to increased income for individuals and businesses. These individuals and businesses will, in turn, spend some of this additional income in Connecticut, re-injecting dollars into the state economy and starting another round of what is known as the "multiplier" or "ripple" effect. Government spending also has positive multiplier effects. Because of this, any reductions in government spending necessary to maintain a balanced budget will offset some of the credit's economic benefits.

- **The credit does not "pay for itself."** Increases in economic activity spurred by the film credit generate some additional tax revenue for the state from a variety of tax sources. This additional revenue is likely to offset some, but not all, of the initial cost of the credit. Increased economic activity may also reduce government spending if it results in less need for government services. A study undertaken by Connecticut's Department of Economic and Community Development (DECD) estimated that in 2007 each initial dollar of film tax credit granted by the state was offset by about seven cents in new tax revenue and by about thirteen cents in

reduced government spending. Thus, on net, each dollar of film tax credit granted still cost the state roughly $0.80.

- **If a production company's tax credit exceeds the taxes it owes to Connecticut, the company can sell its unused credits to other taxpayers**. In other words, the film tax credit is a *transferable* credit. As such, its initial cost will tend to exceed the lost taxes that production companies would have paid themselves. The purchasers of the credits—who would have been paying additional state taxes to Connecticut—are instead making payments to film companies directly. Thus, transferable credits more closely resemble direct appropriations as compared with credits that are not transferable.

- **The economic benefits generated by the credit are likely to be short-lived.** The DECD study estimated that $16.5 million in film credits ultimately generated $20.7 million in new state gross domestic product (GDP), $6.6 million in new disposable personal income, and 395 new full-time equivalent (FTE) jobs in 2007. This implies that for each net dollar in tax credit the state enjoyed $1.57 in increased GDP and $0.50 in increased personal income in 2007 and that the net cost per FTE job was around $33,500. However, the study also projected that without additional credits granted in subsequent years, these increases in GDP, personal income, and employment would quickly disappear. This is not surprising given the short-term nature of most film projects. In order to continue to attract new film production activity and sustain these increases in GDP, income, and employment over time the state would likely need to continue to hand out film tax credits year after year.

- **Relative cost-effectiveness matters.** Ideally, the cost-effectiveness of the film tax credit should be compared to that of other initiatives targeted on economic development in order to determine which provides the biggest "bang for the buck." To our knowledge no study has done a side-by-side comparison of the film tax credit with other economic development initiatives. However, a rough comparison of evidence across studies that the film tax credit may be less cost-effective than certain other business tax incentives offered by the state such as the research and experimental expenditures credit.

- **Connecticut faces a lot of competition for film production activity.** Connecticut's film tax credit is generous—30 percent of in-state production expenses—but the state faces serious competition. About 40 U.S. states currently offer significant incentives to the film industry. With the potential for a "race to the bottom," it may be difficult for the state to establish a sustainable film industry with sustainable employment opportunities for Connecticut residents.

Introduction

Estimated to cost $90 million in FY 2009, the film credit represents the state's largest single corporate income tax expenditure (Table 1). It is also among the costliest of all of the state's tax expenditures for the current fiscal year (Table 2), ranking in the top fifteen of over 200 line items in the state's nearly $5 billion tax expenditure budget.[2] When also taking into account the separate tax credits for digital animation ($15 million tax expenditure in FY 2009) and motion picture infrastructure ($10 million in FY 2009), total tax incentives to the film industry are more than triple the $33.5 million FY

States' Film Production Incentives Cause Jitters

By MICHAEL CIEPLY

Published in the New York Times, October 11, 2008

LOS ANGELES — Already on the hook for billions to bail out Wall Street, taxpayers are also finding themselves stuck with a growing tab for state programs intended to increase local film production.

One of the most shocking bills has come due in Louisiana, where residents are financing a hefty share of Brad Pitt's next movie — $27,117,737, to be exact, which the producers will receive by cashing or selling off valuable tax credits.

As the number of movies made under these plans multiplied in recent years, the state money turned into a welcome rescue plan for Hollywood at a time when private investors were fleeing the movies. But the glamour business has not always been kind to those who pick up the costs, and states are moving to rein in their largess that has allowed producers to be reimbursed for all manner of expenditures, whether the salaries of stars, the rental of studio space or meals for the crew.

Louisiana, one of the most assertive players in the subsidy game, wound up covering that outsize piece of the nearly $167 million budget of Mr. Pitt's "The Curious Case of Benjamin Button" — the state's biggest movie payout to date — when producers for Paramount Pictures and Warner Brothers qualified the coming movie, a special-effects drama, under an incentive that has since been tightened. Separately, Louisiana's former film commissioner is set to be sentenced in January to as much as 15 years in federal prison for taking bribes to inflate film budgets (though not that of "Button") and, hence, pay higher subsidies.

Michigan, its own budget sagging, is in the middle of a hot political fight over a generous 40 percent rebate on expenditures to filmmakers that was carried out, with little opposition, only last April. Producers of films for studios like Warner Brothers and the Weinstein Company rushed to cash in, just as homegrown businesses were squeezed by a new business tax and surcharge. Rebellious legislators from both parties are now looking to put a cap on the state's annual film spending, which some have estimated could quickly hit $200 million a year.

In Rhode Island, meanwhile, the rules have toughened considerably. That happened after The Providence Journal reported in March that producers of a straight-to-DVD picture called "Hard Luck," which starred Wesley Snipes andCybill Shepherd, had picked up $2.65 million in state tax credits on a budget of $11 million, even though it had reported paying only $1.9 million of the total to Rhode Islanders.

"With this much money involved, there's going to be a temptation to hype budgets," said Peter Dekom, a veteran entertainment business lawyer who is an adviser to New Mexico's incentive program.

The vogue for state film subsidies appears to have started in Colorado early this decade, with a briefly financed Defense Against Canada law that was devised to win production back from Vancouver and Toronto. Louisiana and New Mexico soon came on board.

By this year, about 40 states were offering significant subsidies, turning the United States into what the Incentives Office, a consulting firm in Santa Monica, Calif., has called the New Bulgaria. It is a reference to what was once the film industry's favorite low-cost production site.

Virtually all of the programs use a state tax system to reimburse producers for money spent on movies or TV shows shot in the state. Some, like Michigan's, simply refund a percentage of expenditures to the producer. Others, like Louisiana's, issue a tax credit that can reduce the taxes a production pays or be sold to someone else. Either way, the state gives up revenue that otherwise would be collected to put money in the producer's pockets.

Advocates, of course, argue that these programs create jobs.

One of the country's most successful programs is in New Mexico, which has backed movies like the Oscar-winning "No Country for Old Men" and next year's "Terminator Salvation," the latest sequel in the action series, with a reported budget of $200 million.

New Mexico officials boast of having used a 25 percent production cost rebate to build a local film industry that has attracted more than $600 million in direct spending since 2003, and an estimated $1.8 billion in total financial impact, as of last June. And in fiscal year 2008, the productions in the state generated 142,577 days of employment, up from 25,293 in 2004.

Elsewhere, however, critics have sharply challenged the notion that state subsidies for the film business can ever buy more than momentary glitter.

"There's no evidence yet that this is a particularly efficient or effective way to create jobs," said Noah Berger, executive director of the Massachusetts Budget and Policy Center.

The nonprofit center reviews budget and tax policies in Massachusetts, which is spending about $60 million a year on producer credits. A recent study by Mr. Berger's center pointed out that the state's film credit, at 25 percent, is five times higher than that offered to those who build in designated economic opportunity areas, and more than eight times the state's standard investment tax credit.

Until two years ago, Louisiana's program offered a 15 percent credit for virtually the entire budget of a qualified film (and more for Louisiana resident wages), including money that may have been spent out of state. Things were fast and loose enough in Louisiana that Mark Smith, who oversaw the program, pleaded guilty last year to taking $67,500 in bribes to inflate budgets for a film production company that was not named by the authorities.

Kathy English, a spokeswoman for the United States attorney's office in New Orleans, said the case remained open.

Louisiana's new rules offer a larger credit, but only on spending within the state. That made the incentive less attractive for big-budget movies, like "Button," which was done under old rules, and could recover parts of star salaries and other expenses that left Louisiana. But it has drawn a welter of smaller movies and TV shows, 70 of which have been shot so far in 2008, up from 56 the year before.

"All areas of the state have prospered as a result; everyone sees it," said Sherri McConnell, director of Louisiana's Office of Entertainment Industry Development. (Ms. McConnell said she did not expect to have a detailed picture of economic impact until the completion of a planned study, early next year.)

Others are not so sure. "There's no way you can say this makes money for the public" treasury, said Greg Albrecht, chief economist for Louisiana's legislative fiscal office.

In 2006, the last year for which it has complete figures, the state granted about $121 million in credits. Mr. Albrecht estimates that only about 18 percent of that is ever recovered in taxes on expanded economic activity.

"It's an expensive way to create jobs," Mr. Albrecht said. But he noted that Louisiana, like New Mexico, can afford it, thanks to rising oil and gasoline revenue. "We're happy as larks right now to do this."

Not so happy are some folks up in Michigan, where a State Senate committee recently moved to cap the state's film rebates at an aggregate of $50 million a year.

"It's just horrible right now," Mike Bishop, a Republican state senator, said of Michigan's financial condition. Mr. Bishop initially backed the film incentive. But he grew alarmed at outlays that he estimated could quickly exceed $110 million a year to subsidize movies like "Gran Torino," directed by Clint Eastwood, and "Youth in Revolt," a comedy by the filmmaker Miguel Arteta.

Anthony Wenson, chief operating officer of the Michigan Film Office, said the actual amount of credits granted was only about $25 million so far. The annual number is impossible to reckon, he said, because plans for future projects are in flux.

In any case, Nancy Cassis, another Republican who was the only Michigan senator to oppose the incentives when they began last spring, said she expected to see them capped with bipartisan backing later this year. And she does not look for Hollywood to hang around when the money dries up.

"These are not long-term jobs," Ms. Cassis said. "If just one state offers more, they'll be out of here before you can say 'lickety-split.' "

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Kavet, Rockler & Associates

Economic, Demographic and Public Policy Consulting

Memorandum

To: Steve Klein, Chief Fiscal Officer, Vermont Legislative Joint Fiscal Office

From: Nicolas Rockler

CC: Danis Regal, VT Film Commission, Sen. Miller, Sen. Illuzzi, Tom Kavet, JFO Staff

Date: April 26, 2005

Re: Economic Impacts of Major Film Production in Vermont

Steve,

We have completed initial economic impact estimates associated with two large sample motion picture productions in Vermont. These results are intended to provide order of magnitude estimates of the economic impact of this type of film production so as to allow further analysis of potential fiscal impacts that may guide development of additional incentives that may attract filmmakers to the State.

We analyzed estimates for the impacts of two different films' location shooting expenditures derived from budgets for actual movies (filmed or to be filmed elsewhere), known here as "Prison Fish" and "Mumford." The films would have Vermont expenditures of $12.9 million and $23.5 million, respectively, differing not only in scale but composition of labor-related and other expenditures.

We present results obtained from the most recent REMI model, REMI V6.0 (NAICS classified industries.)[1] Our estimates used the following types of information:

- Motion picture industry sales of output
- Motion picture industry wages
- Hotel & motel industry sales
- Nullified induced investment

[1] We also perfomed several simulations using REMI 5.4, the 53-sector SIC defined industries model now used in the VEPC cost-benefit model. The motion picture producing industry is better defined under the NAICS definition in so much as it does not include video rental services within the same category, but overall economic impacts between the two REMI model versions were similar.

We also analyzed detailed film budgets provided by the Vermont Film Commission that were far more specific than the above categories, however, the results did not justify the additional time and effort involved. Use of the detailed film budgets yielded only marginally different estimates from the use of more aggregated REMI categories listed above.[2]

For comparative purposes, we also simulated the economic impacts of an increase in machinery manufacturing output of $23.5 million, nullifying any induced investment that would alter production capacities (and hence, changes in relative prices and level of self-supplied output in a later period.) Results from these simulations are shown in Table 1 below.

TABLE 1
ECONOMIC IMPACT SUMMARY
TWO FILMS AND HYPOTHETICAL MANUFACTURING INDUSTRY OUTPUT INCREASE

Annual Impact Associated with:	"Prison Fish"	"Mumford"	Hypothetical Increase in Machinery Manufacturing
Size of Direct Impact	$12.9 million	$23.5 million	$23.5 million
Wages and Fringes	$4.6 million	$14.8 million	$5.5 million
2005-2009 Change in:			
Gross State Product ($ mil.)	10.5	21.4	13.1
Total Employment	269.5	550.8	196.1
Personal Income ($ mil.)	11.3	28.0	8.7
Average Wage Rate-New Jobs	$40,520	$50,341	$38,262
Average State Wage Rate-Existing Jobs	$25,261	$25,261	$25,261

Source: Kavet and Rockler using the REMI Model

Large movie production activity in Vermont would have large relative employment and income impacts, primarily due to its labor intensiveness and high relative wages. The impacts, however, are short-lived. Unlike manufacturing output growth, such as that included in the above table, the temporary nature of film production creates benefits that largely expire at the conclusion of the production activity. Impacts in subsequent years are actually slightly negative, and should be considered as a part of any net fiscal impacts.

The Mumford film, for example, has such a high labor intensity that nearly two-thirds of its total budget is consumed with wage and fringe payments - approximately $15 million. This results in an average wage of all jobs created during filming (and up to 5 years thereafter) of approximately $50,000 per year.

Prison Fish, too, exhibits high labor-wage intensity, with about one-third of its total budget in the form of wages and fringes, generating jobs paying $40,500 per year. In contrast, machinery manufacturing, long viewed as a source of "good jobs and good wages" in the State, generates jobs paying less than either film, approximately $38,000 per year, largely due to its lower (and more usual) wage bill as a fraction of overall production costs. Because filmmaking's large personal income effects flow to purchases of goods and services as opposed to capital goods, the State's service industries would also benefit from local expenditures. This drives-up the impacts on State gross state product and personal income relative to the size of the direct effects, and again, impacts compare favorably against those of machinery manufacturing – except that the beneficial impacts are short-lived (see Figures 1-3).

One evident benefit of film-making is the impact on state transfer payments. These payments, of which a sizeable portion consists of state-paid unemployment compensation and related support payments, fall initally and then rise slightly over the next four years. On balance, both films *reduce* transfer payments ranging from about $700,000 to more than $1 million, a part of which are costs avoided by the State.[1]

In contrast, a one-time increase in manufacturing output of a size similar to that of Mumford results in virtually no change in transfer payments. The slight initial decline in payments is balanced by an almost equal increase over the next several years. From the State's perspective, increased output may provide only transitory improvements in State transfer payments and depend on the specific industry in which the improvements originate.

Further research is necessary to estimate net fiscal impacts from films such as those analyzed, however, it is likely that net fiscal benefits would not be less than about 5%

[1] Other components of these transfer payments include old age and survivor benefits, veterans benefits, medicare, and family aid. The amount of these payments is not likely to be altered by filmmaking activity.

of total Vermont expenditures. For the "Prison Fish" and "Mumford" films, this would imply fiscal benefits to the State that are approximately $650,000 and $1.2 million. This could change substantially if the composition of direct expenditures of any particular film departs from the range given by our two sample points.

At this point, the beneficial impact from reduced transfer payments, as well as job growth and personal income growth are all favorable economic impacts from filmmaking. To generate consistent and more precise overall fiscal impacts, we recommend that the REMI output generated as a part of this analysis be input to the fiscal impact component of the VEPC cost-benefit model run by Economic and Policy Resources for a multiyear period following the direct impacts. This will allow better estimates of maximum State incentives before the State risks offering more that it would cost once filming is completed.

Since these economic benefits are temporary, the State must also determine the portion of net fiscal benefits it wishes to or needs to expend in order to be competitive in this sector. Unlike VEPC-type incentives, for which benefits are expected to persist beyond the award period and theoretically yield net positive long term fiscal impacts to the State, any positive State fiscal return from a film production incentive would need to be immediate.

It should be noted that we nullified investment related impacts based on induced spending from filmmaking. This basically fixes capacity to that which is present at the time filming begins (2005 as hypothesized here), which seems reasonable for a small number of movie projects. If, however, new incentives prove sufficiently attractive to cause a sizeable increase in filmmaking and related support activity, the economics of film production could shift in ways that both make the State more attractive from the standpoint of relative production cost, and reduce the incentive needed to attract filmmakers. We did not estimate relative production cost change impacts at this time, but are prepared to do so if activity increases in measurable fashion or if anyone would like to assume this at some time in the future.

Based on this analysis, it is clear that large film production activities can generate substantial economic benefits in the form of high paying jobs and related in-State expenditures. Most of the jobs, however, are temporary and expire at the conclusion of the film production activity. The temporary nature of this type of economic activity presents challenges in estimating net fiscal benefits and sizing maximum incentives that may be offered. Further research is necessary to establish precise incentive thresholds that can be of net benefit to the State.

If you or others have any questions or are interested in any of the voluminous tables of impact estimates generated by REMI, please contact me or Tom Kavet.

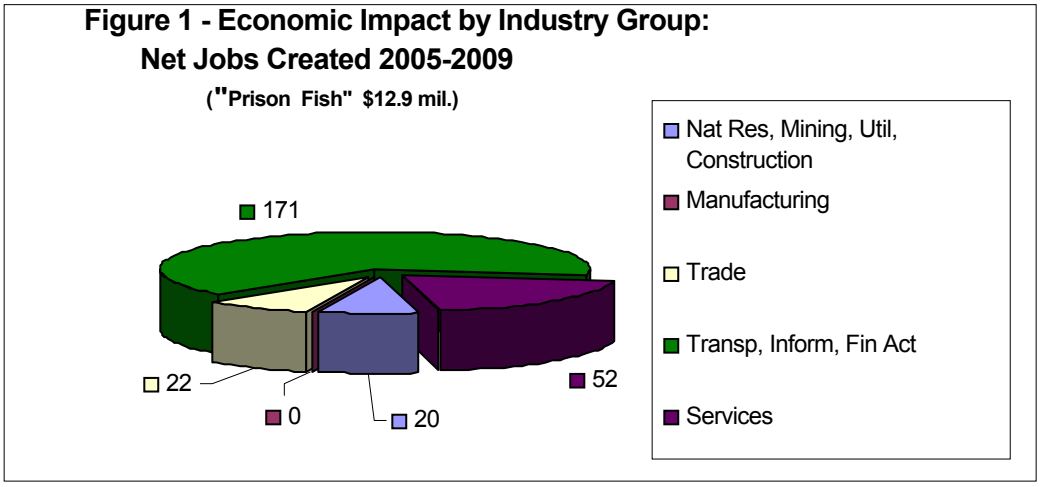
Figure 1 - Economic Impact by Industry Group:
Net Jobs Created 2005-2009
("Prison Fish" $12.9 mil.)
171
22
0
20
52
Nat Res, Mining, Util, Construction
Manufacturing
Trade
Transp, Inform, Fin Act
Services

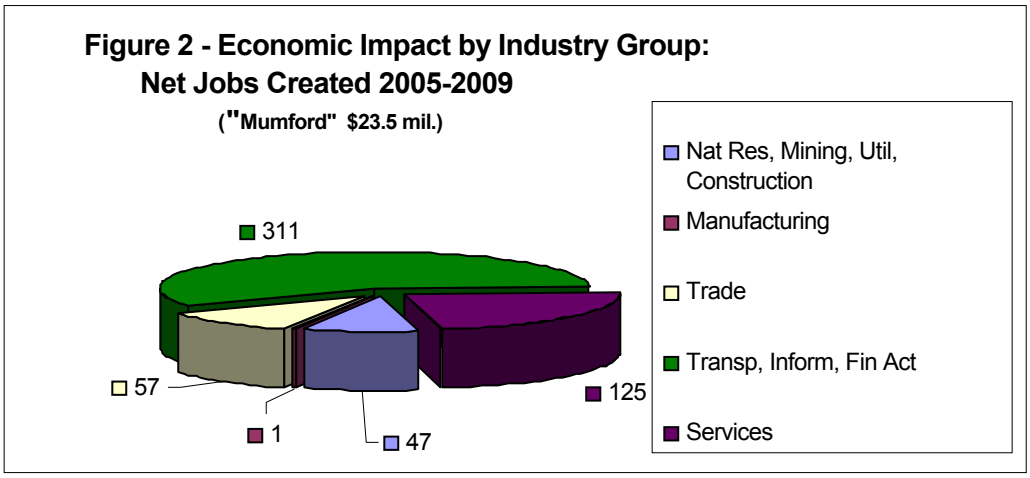
Figure 2 - Economic Impact by Industry Group:
Net Jobs Created 2005-2009
("Mumford" $23.5 mil.)
311
57
1
47
125
Nat Res, Mining, Util, Construction
Manufacturing
Trade
Transp, Inform, Fin Act
Services

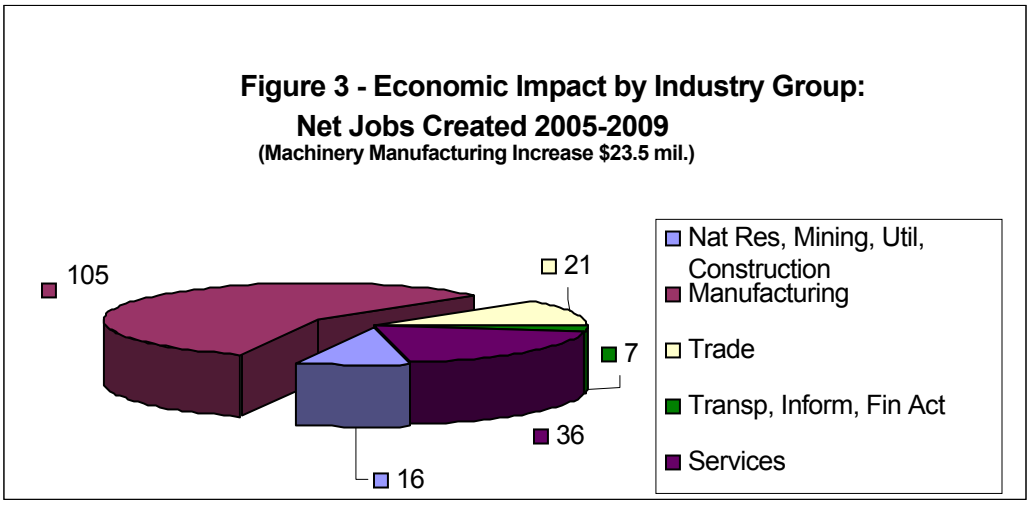
Figure 3 - Economic Impact by Industry Group:
Net Jobs Created 2005-2009
(Machinery Manufacturing Increase $23.5 mil.)
105
21
7
36
16
Nat Res, Mining, Util, Construction
Manufacturing
Trade
Transp, Inform, Fin Act
Services