



LEGISLATIVE REPORT

Lake Champlain Regional Chamber of Commerce & GBIC

February 5, 2010 - Week 5



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Legislative Report is a weekly update from the legislative team of the Lake Champlain Regional Chamber of Commerce and GBIC.

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The Senate Economic Development Committee held a hearing in Burlington this week on unemployment insurance and recent tax changes. Chamber member Mike Plageman with Plageman, Gagnon & Daughters, Inc. testified about the effect an increase in unemployment taxes will have on his small business. He indicated that under the plan put forward by the Department of Labor, his unemployment taxes will triple in the next five years, adding that it will have a “huge, huge impact on our company.” Like many employers who testified, Mr. Plageman commented that they are willing to pay their fair share but that in order to meet the increased tax, they will either have to get by with less staff or raise their prices – something that is difficult to do for a construction company when there’s so little work out there. Chamber Board Member Al Gobeille added during his testimony that the “business community is not in expansion mode right now, not in profit mode but in survival mode.”

Rick Wolfish with Gallagher Flynn & Co. also testified on behalf of the Vermont Society of CPAs and the Chamber. In talking about the Legislature’s action last year to increase Vermont’s estate and capital gains taxes he said, “Let me be clear, people are leaving Vermont. Never before do I remember so many clients asking me about how to leave.” Both Committee Chair Senator Vince Illuzzi (R- Essex/Orleans Co.) and Senator Doug Racine (D- Chittenden Co.) wanted to know if Vermont is at a tipping point. Mr. Wolfish said yes, and added that we need entrepreneurs in this state and that they are the ones leaving. GBIC Board Member Ernie Pomerleau reminded the Committee that Vermont already has a very progressive tax structure and that high-income taxpayers are also the most mobile. He told the Committee that he wants to see less people leaving Vermont and asked them to look at ways to incent job creation since that will take care of the state’s revenue problem. GBIC Board Member Ted Adler agreed and added that the tax changes made last year are not fostering the creation of new companies in Vermont and that entrepreneurs are going to create jobs but we need to encourage them do it here in Vermont.

Workers’ Compensation received scrutiny in two committees this week. Vermont Department of Labor Commissioner Patricia Moulton Powden testified before the House Commerce Committee on bill H.647. The bill looks at misclassification of employees as independent contractors and miscoding of employees for the purposes of workers’ compensation insurance. The Department is concerned that some of the penalties in the bill are too high or too harsh. One of the penalties would require the Department to issue a stop work order if the employer was out of compliance. Commissioner Moulton Powden gave an example of a nursing home that was found to be without workers’ compensation insurance. If the Department had been required to issue a stop work order in that instance, the residents of the home would have found themselves without a place to live.

The Senate Economic Development Committee also took testimony on workers’ compensation misclassification this week. They are using bill S.257 as a starting point for their discussion. Senator Hinda Miller (D-Chittenden Co.) indicated that part of the problem with this issue is that there is no clear definition for who is considered an independent contractor. She continued that many of the businesses misclassifying employees as independent contractors are struggling to run their businesses and that punitive measures can be too harsh when employers are not intentionally making these mistakes. Senator Miller and Senator Bill Carris (D-Rutland Co.) plan to work together to develop a clearer definition.

The House Natural Resources Committee began work on a bill that deals with the decommissioning of the Vermont Yankee Nuclear Plant, bill H.589. This is the third year that the Legislature has tackled the issue, with the previous two bills being vetoed by Governor Douglas. This year’s bill would require Entergy, the plant’s owner, to provide funding for the plant’s site to be returned to a “greenfield” upon shutting down and for the care of the nuclear waste stored at the site until the Federal Government opens a new repository for spent fuel. Proponents of the bill have indicated that the level of funding required by the Nuclear Regulatory Commission will not be sufficient in order to return the site to the “greenfield” they desire.

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The House Commerce Committee took testimony about the history of the Vermont Economic Progress Council (VEPC) as they consider H.550/S.198, both of which propose to create a new 17 member Economic Development Board. Representative Kathy Keenan (D-St. Albans/Franklin) and Chris D'Elia (former VEPC Director) offered frank observations about the effectiveness of the original Council and the amount of long range planning and implementation that got accomplished. Long range planning for economic development by VEPC fell by the wayside due to a number of other responsibilities and the creation of the Commission on the Future of Economic Development. Those testifying reinforced the need to have strong and coordinated partnerships with the Administration, regional development corporations and other economic development groups in order to avoid duplication of effort and to maximize limited resources. They also called for the right amount of resources and buy in from stakeholders regardless of which model is used to carry out economic development planning and implementation.

The Senate Economic Development Committee unveiled a draft committee bill to provide economic incentives for businesses and farms to create and preserve jobs as well as improve Vermont's technological infrastructure and economic environment. The bill appropriates \$8.7 million in federal American Recovery Reinvestment Act funds as follows:

1. \$2 million for the seed capital fund
2. \$3 million for telecommunications and broadband infrastructure
3. \$1.3 million to the Agency of Commerce and Community Development for the Vermont Training Program and tourism and marketing promotion
4. \$1 million to the Agency of Agriculture for loans and grants to farmers in debt
5. \$900,000 to businesses affected by the Champlain Bridge closure
6. \$100,000 to increase the annual cap on tax credits under the downtown program
7. \$100,000 to the Vermont Sustainable Jobs Fund for the farm-to-plate program
8. \$70,000 to the Burlington International Airport for runway and taxiway improvements
9. \$150,000 to Burlington for the planning of a new aviation technical training center
10. A yet to be determined amount for Job Start Loans

Other items of interest include: the 17 member Economic Development Board along with a \$350,000 budget; extended training benefits for eligible individuals; an increase to the moral obligation for the Vermont Jobs fund to \$100 million; enabling downtown tax credits to be transferred; repealing the estate tax and capital gains changes made last year; and enabling for-benefit corporations (S.263),

According to Administration Secretary Neale Lunderville, if nothing is done, property tax rates will go up 2 cents. The Administration's proposal to reduce income sensitivity for household incomes of \$60,000 to \$90,000, requiring teachers to pay more for health care premiums, and reducing staffing levels along with more efficient governance through the consolidation of school districts is being discussed in some committee rooms. Education Commissioner Armando Vilaseca made a passionate plea to the House Republicans about redistricting and changes in governance, saying "Unless we do something, I don't want to hear one more word about the cost of education."

The Senate Transportation and Institutions Committees held a joint meeting at Heritage Flight in South Burlington to learn more about the planned expansion of the Aviation Technical Training Center at the Burlington International Airport. Chamber Vice President and Congressional Lobbyist Tim Shea testified in support of the project. When completed, the facility will provide state of the art training facilities that are needed to meet the growing demand for a trained workforce to service aircraft. The project has wide support.

The Agency of Natural Resources reported out about progress made in cleaning up Lake Champlain. The general finding is that efforts toward clean up are "holding steady" and that the things being done are working even in the face of increased runoff from a variety of sources.

Friday was Employer Day at the Statehouse. Employers are under the Golden Dome to talk with legislators and emphasize that good jobs lead to strong communities. Communities rely on working Vermonters to coach Little League, serve on the PTA, chaperone dances, and serve on selectboards and school boards. Without a healthy business sector to provide good jobs, Vermonters are less able to serve their communities and participate in civic affairs. Employers provided Legislators with priorities that will help them sustain existing jobs and create new ones including funding the Vermont Training Program, eliminating the cap on the Vermont Economic Growth Incentive program, enacting a fair solution for the Unemployment Trust Fund and changing tax policies that discourage companies from growing in Vermont.