



LEGISLATIVE REPORT

Lake Champlain Regional Chamber of Commerce & GBIC

January 8, 2010 - Week 1



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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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With Vermont Yankee activists arriving on foot from Brattleboro, a new consensus revenue forecast, and work on many important bills underway, it was a busy week at the Legislature.

GBIC President Frank Cioffi testified before the House and Senate Economic Development Committees and the Senate Finance Committee this week in support of raising the annual cap for the Vermont Economic Growth Incentive program VEGI. Since the VEGI's inception through 2009, the program incented the creation of 1,885 new jobs. The success of the program is hard to ignore; other states and even the Federal government are modeling performance-based job creation incentive programs after VEGI.

But there is a predicament: the program has already authorized \$5.4 million to date in 2010 and there are applications pending for four employers to create over 800 new jobs with an annual payroll of \$47 million and capital investments topping \$187 million in Vermont. The incentives associated with this level of activity are \$16 million, exceeding the current annual authorization cap. The problem at hand is that in order to approve these incentives, the State Emergency Board must raise the \$10 million cap for 2010. Vermont law places the authority to raise the cap for one year with the Emergency Board; after this year the cap would return to \$10 million without further legislative action. Legislators are considering this proposal to raise the cap, but they must act before January 28.

One of the companies, a start up named Skypoint Solar, would manufacture solar panels and is considering locating in Essex. Senator Doug Racine (D-Chittenden Co.) remarked, "Someone wants to manufacture solar panels in Vermont? That's exciting to me." Authority to raise the cap rests with the Emergency Board (consisting of the Governor and Chairs of the legislative money committees) which met Wednesday and decided to delay the decision so that Legislative Committees could review the request and they agreed to meet again on January 22 to consider the issue.

The State Economists, Jeff Carr and Tom Kavet, provided their quarterly revenue outlook and forecasts. Carr said that although there are signs of recovery, it will be a long road back and we should not expect to reach pre-recession levels of economic activity until 2013. "The recovery will be slow, fragile and insecure," concluded Carr. Both economists warned that changes to financial policy measures, housing trends, credit and the labor market were all risks to the future stability of the economy. Consumers and business must trust in the financial system and gain confidence if the economy is to improve.

The government reform recommendations identified by the Joint Legislative Committee on Government Accountability in concert with their consultant, Public Strategies Group, will be vetted by the Senate initially. Speaker Shap Smith indicated that he would like a bill implementing the recommendations to pass the House and Senate by early February. He went on to state that the \$38 million in savings expected from the plan will reduce the budget hole legislators need to consider this year, adding that the rest of the deficit will be handled through the regular budget process. In the House Democratic Caucus meeting this week, House Majority Leader Floyd Nease (D-Johnson) commented that things his caucus really cares about will be cut. He continued that the choices are to either cut or raise taxes and that they are not going to raise taxes.

Several House and Senate Committees held joint briefings with the Public Strategies Group this week. Legislators will set priorities and establish outcomes for state agencies and departments in how they provide services and they will be expected to redesign their organizations in order to achieve the expected savings. Systemic changes, as well as the expected savings, will be implemented by July 1, 2010. Legislators seemed uncomfortable with the proposed process and many asked questions about the role they would play versus the responsibility given to agencies and departments.

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The Senate Health and Welfare and House Health Care Committees held several joint hearings this week focused on health care reform. Committee members received a briefing on the health care reform bills passed by Congress and how the bills would affect Vermont. Several provisions in the Federal bills could preempt the State's Catamount Health insurance program. They also held a public hearing which was attended primarily by those supporting universal health care. The committees followed the public hearing with a joint meeting on several bills that would create a universal health insurance version in Vermont.

The Ways and Means Committee received an update from the Blue Ribbon Tax Structure Committee, which is chaired by Bill Schubart, former CEO of Resolution. Thus far, the three-person committee has been learning about Vermont's tax system and taking testimony on ideas to improve the tax climate. Schubart described the Committee's concern about the loss of high wealth individuals in the state. He outlined the principles established by the committee as they craft their recommendations - fairness, simplicity, transparency, revenue neutrality, the encouragement of desired behaviors and trends, and competitiveness. Schubart noted the tax code is just one piece of the state's fiscal challenge and that the committee's charge is to provide a better, simpler tax code, therefore, state expenditures are not within their purview. In conclusion, Bill Sayres and Kathy Hoyt, the other two committee members described their willingness to be independent, comprehensive and bold because the current budget and taxation practices are not sustainable. The committee will be issuing briefs as they conduct their work, plan to hold hearings and will have a web presence.

The Senate Natural Resources Committee chaired by Sen. Ginny Lyons, (D-Chittenden Co.) took testimony on S. 99 most of the week. This bill will substantially amend Act 250 criteria relating to traffic, scattered development and rural growth areas and provide definitions for existing settlements and strip development. The intent of the bill is to curb strip development and sprawl in rural areas. Supporters of the bill, including the planning community and environmental organizations, believe the changes to these Act 250 criteria will provide another tool to address this issue. Opponents, including the realtor and homebuilder associations, are concerned that not enough is being done to provide incentives to develop in growth centers and that the overall permitting process and land use planning arena needs to be comprehensively evaluated and changed as well. Our organizations called for a more comprehensive look at the planning and regulatory barriers to growth in desired areas as a precursor to amending Act 250. All stakeholders agree that changing Act 250 alone will not entirely address strip development and sprawl as it affects a limited amount of development activity.

Quick Hits:

The Legislature quickly passed legislation in order to take advantage of recent Federal action that would allow trucks weighing over 80,000 pounds on interstate highways. Governor Douglas signed the bill into law. Previously, trucks weighing more than 80,000 pounds were precluded from using the interstate highway system forcing them onto local roads and through many of the state's downtowns.

There was no formal action on reforming the state's unemployment trust fund this week though rumors circulated in the statehouse that a small group of legislators are at work on a deal.

The Riparian Buffer bill (H.323), continued to receive the scrutiny of the House Fish and Wildlife Committee.

The Agency of Natural Resources has proposed raising a significant number of application and permitting fees and the Ways and Means Committee is currently reviewing these fees as part of the overall Fee Bill.

Please mark your calendar for our annual Employer Day at the Statehouse on Friday, February 5 from 8:30 a.m. to Noon. You'll have an opportunity to hear from Governor Douglas, Senate President Pro Tem Peter Shumlin and Speaker Shap Smith and connect with your legislators. RSVP to Cathy Davis at cathy@vermont.org.

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