

VEPC RETREAT

October 22, 2025



ABOUT CREC



Connecting regional leaders with
data-driven solutions



Helping leaders leverage their
regional assets



Creating opportunities for
everyone across regions

AGENDA

1. THE RATIONALE FOR INCENTIVES
2. VEGI PROGRAM MECHANICS
3. FINDINGS & ANALYSIS
4. LUNCH
5. GROUP DISCUSSION
6. WRAP-UP & NEXT STEPS



VEGI REVIEW ELEMENTS

This Review is...

- A preliminary assessment of VEGI's structure and performance
- Based on available program data, interviews, and peer comparisons
- Intended to identify strengths, gaps, and opportunities
- A foundation for future evaluation and policy refinement

This Review is NOT...

- A full impact evaluation or fiscal audit
- A replacement for VEPC's ongoing monitoring
- A definitive judgment on the VEGI program

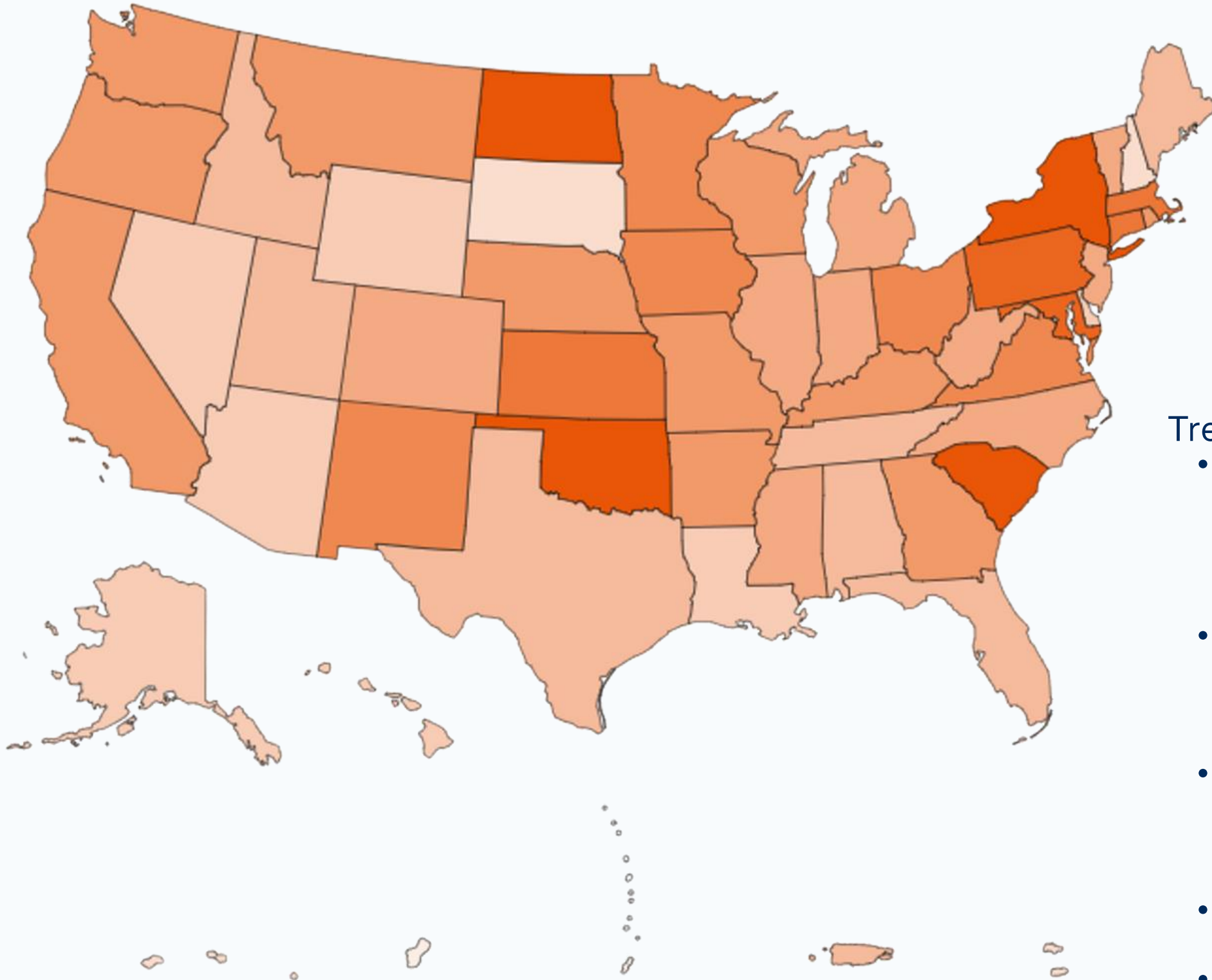
Key Findings

- Incentives are a critical but limited tool, helping Vermont compete for jobs and investment.
- Vermont faces structural economic challenges, like high costs and slow population growth.
- VEGI is a more rigorous program, rewarding projects after performance.
- The program operates at a smaller scale with limited utilization, prioritizing high-impact projects over volume.
- VEGI's formula-driven design ensures consistency and fairness but can limit adaptability as economic conditions change.

Rationale for Incentives



EVERY STATE USES INCENTIVES



Number of Programs in the U.S.: 2,560

Top 5 Program Types in the U.S.
(by Number of Programs)



Trends in Program Areas since 2022:

- Industry Targeting
 - Semiconductors
 - Biotech
 - Aerospace
 - Energy
- Innovation
 - Seed capital
 - SBIR/STTR matching grants
 - SSBCI
- Community support
 - Workforce
 - Housing
 - Childcare
- “Umbrella” Tools - Consolidating incentive types under one application
- Rural and regional revitalization



Incentives are tools to attract and retain businesses

They are programs that guide business investment to achieve economic goals, funded through state budgets or tax expenditures.



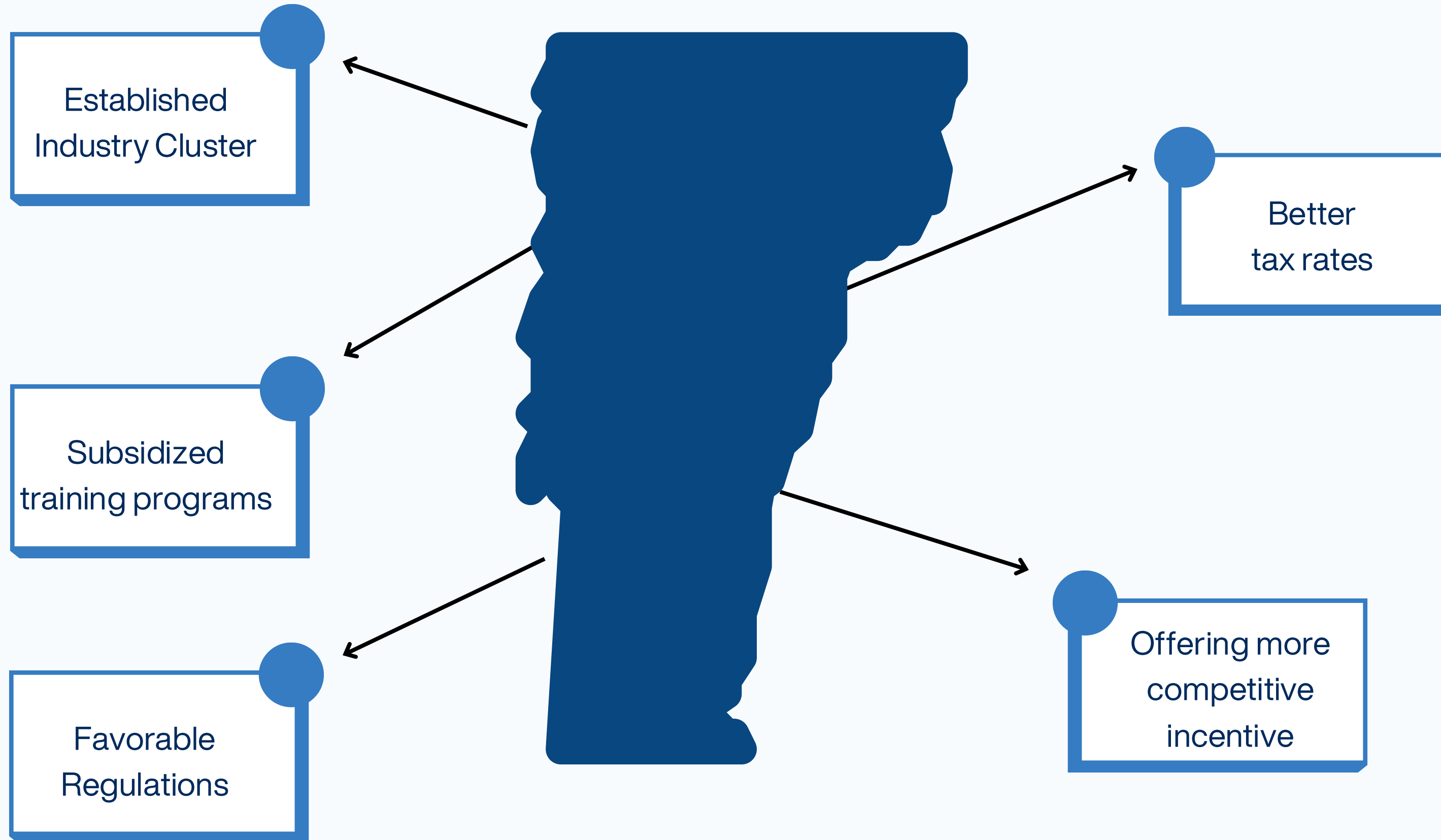
Types of incentives vary widely

- Tax Program (credits, exemptions, refunds, etc.)
- Grants
- Loans
- Equity investment
- Collateral support

... and many other options

**not all financial support programs are incentives. Some programs provide access to capital without an expectation of investment or jobs*

BUSINESSES HAVE CHOICES



Incentives Align Public and Private Goals

BUSINESSES

- Reduce risk and upfront costs
- Improves ROI
- Speed-to-market
 - Expedited investment and hiring



COMMUNITY

- Creates jobs and tax revenue
- Strengthens local supply chains
- Supports long-term economic growth
- Strengthens community connections

Vermont's Challenges

The Vermont Futures Project's 2024 Economic Action Plan Highlights Several Challenges

Demographic and Workforce Decline

Vermont has a workforce supply of 8,200 people per year versus a workforce demand of 21,700 people per year, creating labor shortages

Housing Shortage & Regulatory Barriers

Housing production lags; only about 2,500 units were permitted last year when 7,200 are needed to meet demand

Affordability and Fiscal Sustainability

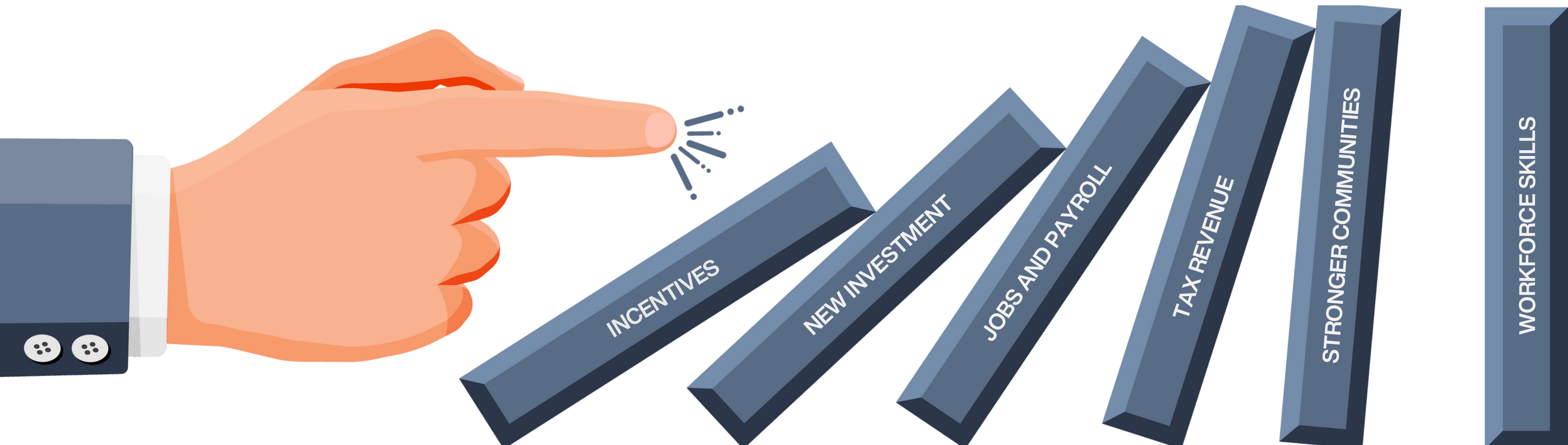
A stagnant or shrinking workforce leads to higher per-capita education and healthcare costs and threatens the sustainability of public services

Fragmented Governance and Inefficient Systems

Vermont does not have county-level government, which limits regional coordination and capacity

Incentives Deliver Returns

When effective, incentives generate more revenue than they cost.

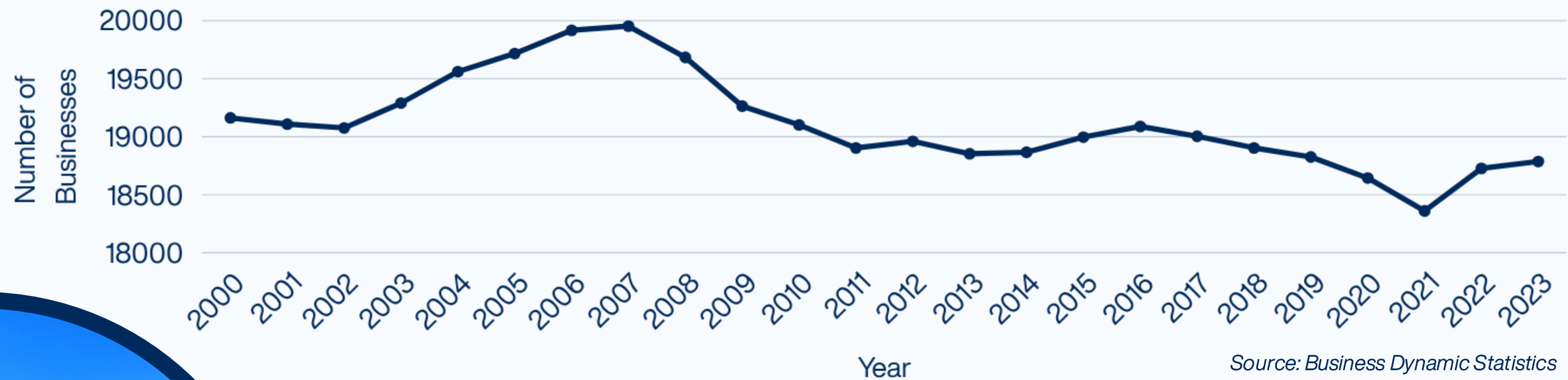


Incentives Are One of Many Tools — Not a Silver Bullet



Play Defense

Incentives are for both **business attraction** and **business retention and expansion**



Losing an employer hurts more than landing a new one helps

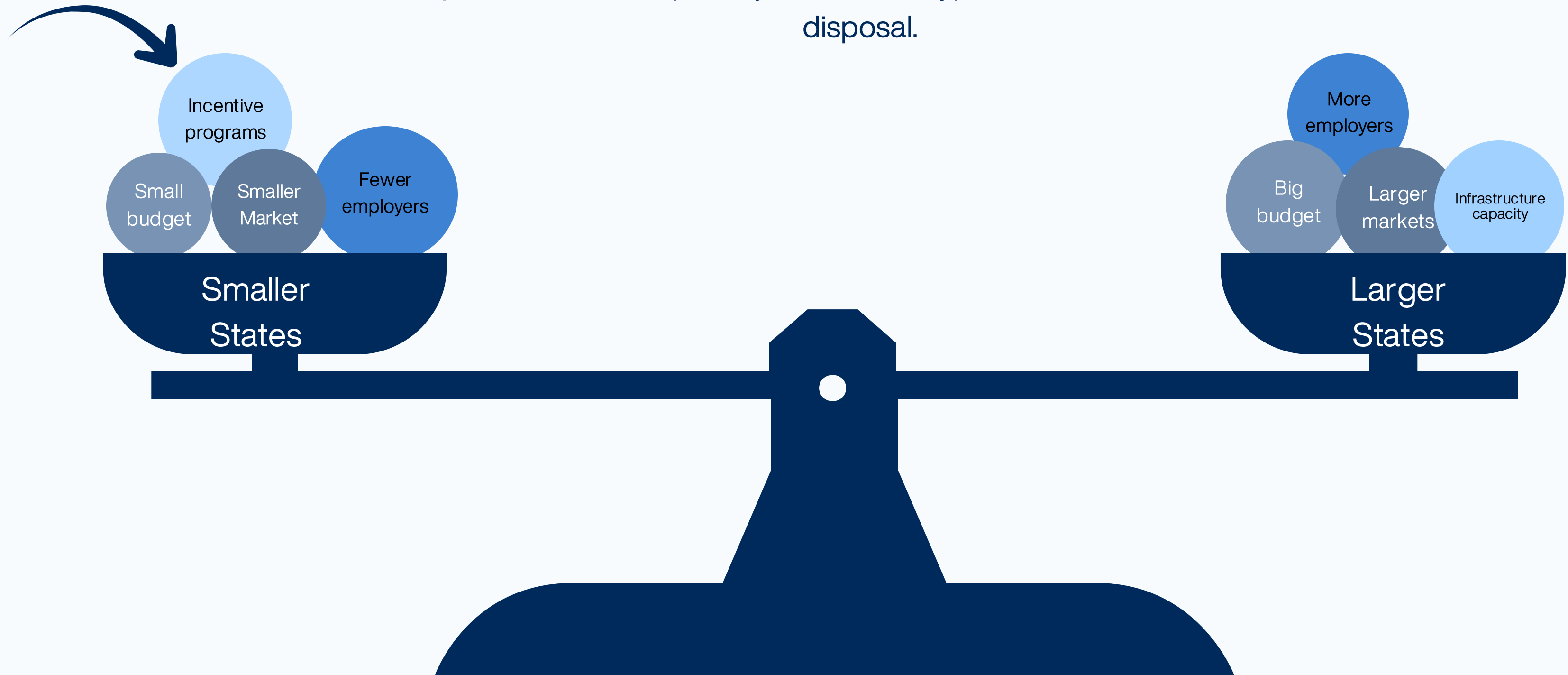


As part of the Vermont Futures Economic Action Plan, strengthening the state's business climate is a key strategy for growth and competitiveness. A key component of this approach is supporting business expansion through targeted investments, like the VEGI program and other incentives.



Level the Playing Field

Vermont competes with states (nearby and nationally) that have a lot more resources at their disposal.



Incentives help balance competitiveness between small and large states.

Scenario: A company is planning a \$10M expansion to build a new factory

Without Incentive

- Vermont labor & energy costs are higher
- Uncertain ROI for the company
- Other states have a more favorable tax rate and regulatory structure
- Other competitive incentives are available

Result: Because of the risk, the project is delayed or moves elsewhere.

With Incentive

- \$1M pay-for-performance incentive reduces risk
- ROI improves; hiring starts 6 months earlier

Result: With a \$1M incentive to the company, Vermont gains 50 new jobs and \$5M in new payroll

The Bottom Line: Incentives offset cost or risk for companies making big decisions



THE 'BUT FOR' TEST

Ensures public dollars only support projects that depend on the incentive.

Tests whether the project, location, or timing would change without it.

Strikes a balance between fiscal discipline and economic competitiveness — maintaining rigor while allowing for practical judgment.

Designing Incentives That Work

Tie Incentives to Performance



Strengthen Transparency & Accountability



Promote Fairness & Flexibility



Evaluate Programs Regularly



Conduct ROI Analysis



Target Incentives Strategically



Secure Community Support & Collaboration



Tie Incentives to Performance

Measurable benchmarks - jobs created, wages paid, or capital invested should determine awards

Protect public investment - If performance is not met, there should be reasonable consequences. I.E., in severe cases of underperformance clawback provisions



Conduct Return on Investment (ROI) Analysis

Weight costs against returns - Officials should weigh expected costs against anticipated short-term and long-term benefits

Focus on net new value - ROI analysis should also account for displacement effects—cases where new activity simply shifts demand away from other in-state businesses.



Strengthen Transparency & Accountability

Trust through transparency - Public trust of incentive programs depends on openness.

Share results openly - Agreements, award amounts, and performance outcomes should be published online.

Trust, but verify - Companies should provide regular reports, backed by receipts and third-party data sources.



Target Incentives Strategically

Align with shared goals - Incentives should align with state and regional priorities.

Focus on growth engines - Industry targeting can focus support on high-growth sectors, cluster development, supply chains, or R&D ecosystems.

Promote balanced growth - Geographic targeting can prioritize distressed communities or sustain employers critical to regional economies.



Promote Fairness & Flexibility

Customize the approach - Programs shouldn't be one-size-fits-all; small businesses, major employers, and different regions often require distinct solutions.

Adapt over time - Flexibility should also be built in so programs can adjust as economic conditions evolve.



Secure Community Support and Collaboration

Community buy-in matters - Incentives work best when projects have strong local backing.

Support takes many forms - States can encourage benefit agreements that include local hiring, workforce training, or infrastructure investments.

Collaboration multiplies impact - Regional cooperation agreements can also share costs and benefits across communities, making projects a broader economic win.



Evaluate Programs Regularly

No program should run on autopilot - Incentive programs should not operate in perpetuity without periodic review and evaluation.

Build confidence through relevance - Economic and business conditions change along with state priorities and policymakers need to have confidence that any program is meeting the state's needs.

Learn and improve - Any evaluation should include an impact analysis and a commitment to use findings to improve incentive programs.

VEGI Program Mechanics



Vermont Employment Growth Incentive (VEGI)

October 2025

VEGI: What's in a Name?

Vermont: New, qualifying job and payroll creation and capital investment in Vermont.

Employment: Incentive is calculated based on creation of new qualifying payroll for new qualifying jobs.

Growth: There must be incremental job and payroll growth, beyond organic (background) growth, in Vermont, to be eligible for approval and to generate an incentive.

Incentive: Not a grant or a subsidy. Program goal is to incent activity that would not occur, or would occur in a less desirable way, without the incentive.

History

- Created in 2007 following the EATI program
- Has received multiple extensions since creation, sunset currently set for 1/1/2027



Results: Lawson's Finest Liquids (Waitsfield)

- **10,145**
 - New qualifying jobs created by all business participating from 2007-2023. 286 new qualifying jobs from 2023 claim year
- **\$613,383,128**
 - New qualifying payroll created during the same period. \$23,779,799 for claim year 2023



Results: Twincraft (Essex)

- **\$60,462**
 - is the average wage for all new qualifying jobs. Average wage for 2023 claim year is \$83,146
- **\$1,158,592,077**
 - in new qualifying capital investments from 2007-2023. New qualifying capital investments for 2023 is \$23,779,799



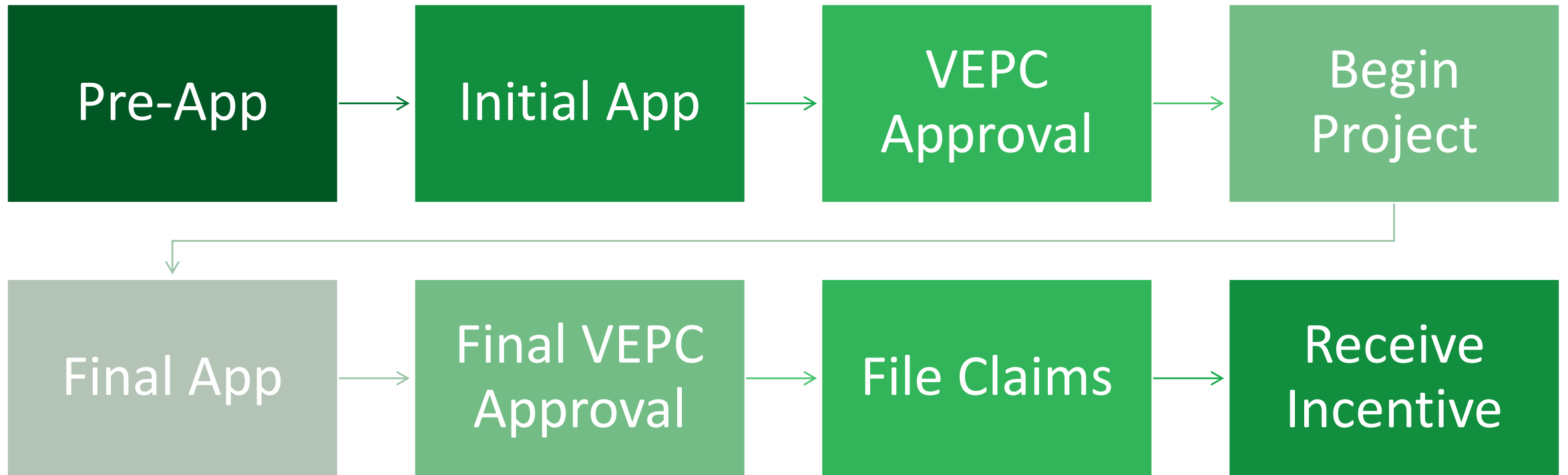
Results: NuHarbor Security (Colchester)

- **\$41,489,264**
 - in incentives paid from 2007-2023
- **\$42.70**
 - For every dollar spent on VEGI from 2007-2023 on earned incentives, at least an additional \$42.70 has been generated in payroll and capital investment that otherwise would not have occurred

Mechanics

- Pre-application call with VEPC
 - Does the project seem like a good fit for the program?
- Pre-application
 - Will the incentive make a difference?
- Initial Application
 - Is the but-for met?
- Final Application
 - Finalize targets
- File Claims
 - Meet targets
- Receive Incentives

VEGI Process



Approval Criteria

- But For
- Benefits Exceed Costs
- Welcome and in Good Standing
- No Unfair Competition

Benefit Calculation

- Think of it as a rebate of a company's withholding tax
- 80% of projected benefit to the state for qualifying jobs and capital investments

Overly Simplified Example

Year	Year 1 Incentive	Year 2 Incentive	Year 3 Incentive	Year 4 Incentive	Year 5 Incentive	Earned this year	Cumulative
1	\$20,000					\$20,000	\$20,000
2	\$20,000	\$20,000				\$40,000	\$60,000
3	\$20,000	\$20,000	\$20,000			\$60,000	\$120,000
4	\$20,000	\$20,000	\$20,000	\$20,000		\$80,000	\$200,000
5	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$100,000	\$300,000
6		\$20,000	\$20,000	\$20,000	\$20,000	\$80,000	\$380,000
7			\$20,000	\$20,000	\$20,000	\$60,000	\$440,000
8				\$20,000	\$20,000	\$40,000	\$480,000
9					\$20,000	\$20,000	\$500,000
Total:	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	--	\$500,000

Performance Targets

- **New Qualifying Jobs**
 - \$22.42 or \$19.61
 - 3 Benefits
- **Total Full-Time Payroll**
- **Capital Investments**

VEGI Enhancement: Green

Certified by Secretary of Commerce as research, design, engineering, development, manufacturing related to:

- Waste management;
- Natural resource protection and management;
- Energy efficiency or conservation;
- Clean energy.

VEGI Enhancement: Labor Market Area (LMA)

Located in eligible LMA and approved by VEPC Board.

- Capped: \$1 Million for one or more applications each year
- Must meet LMA Enhancement Criteria

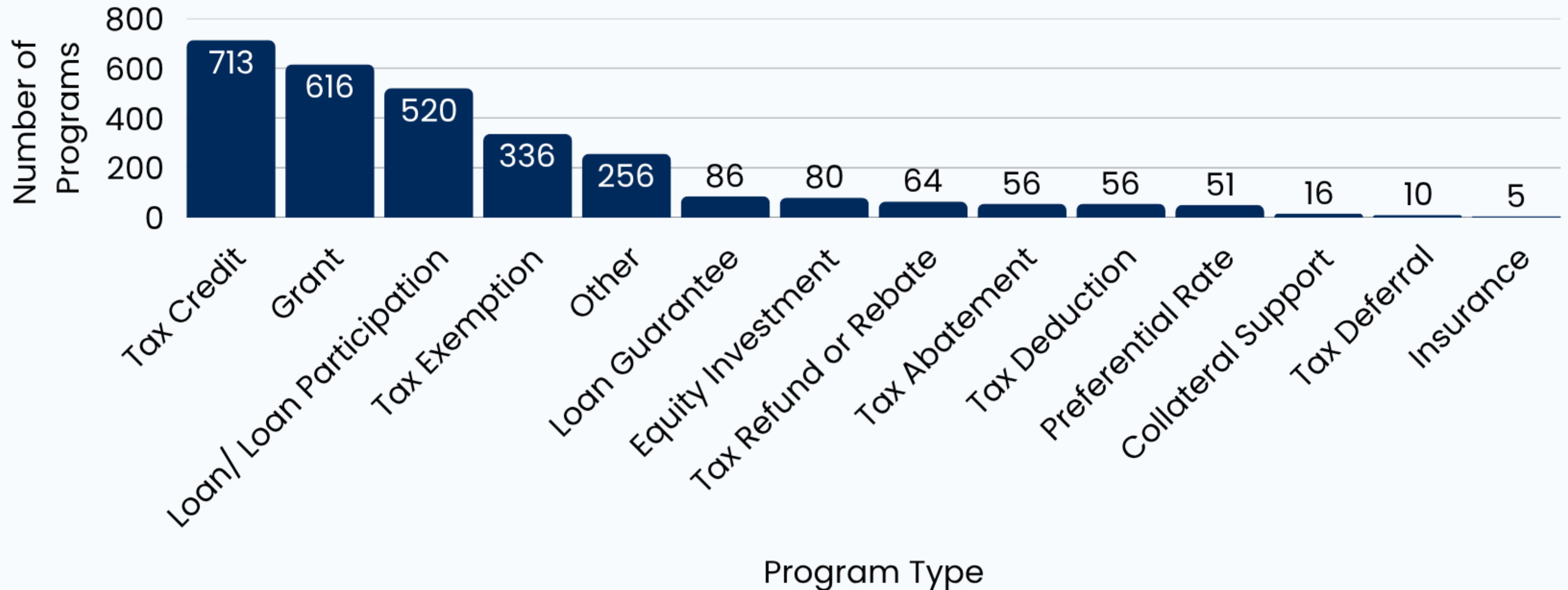


CENTER FOR
REGIONAL ECONOMIC
COMPETITIVENESS

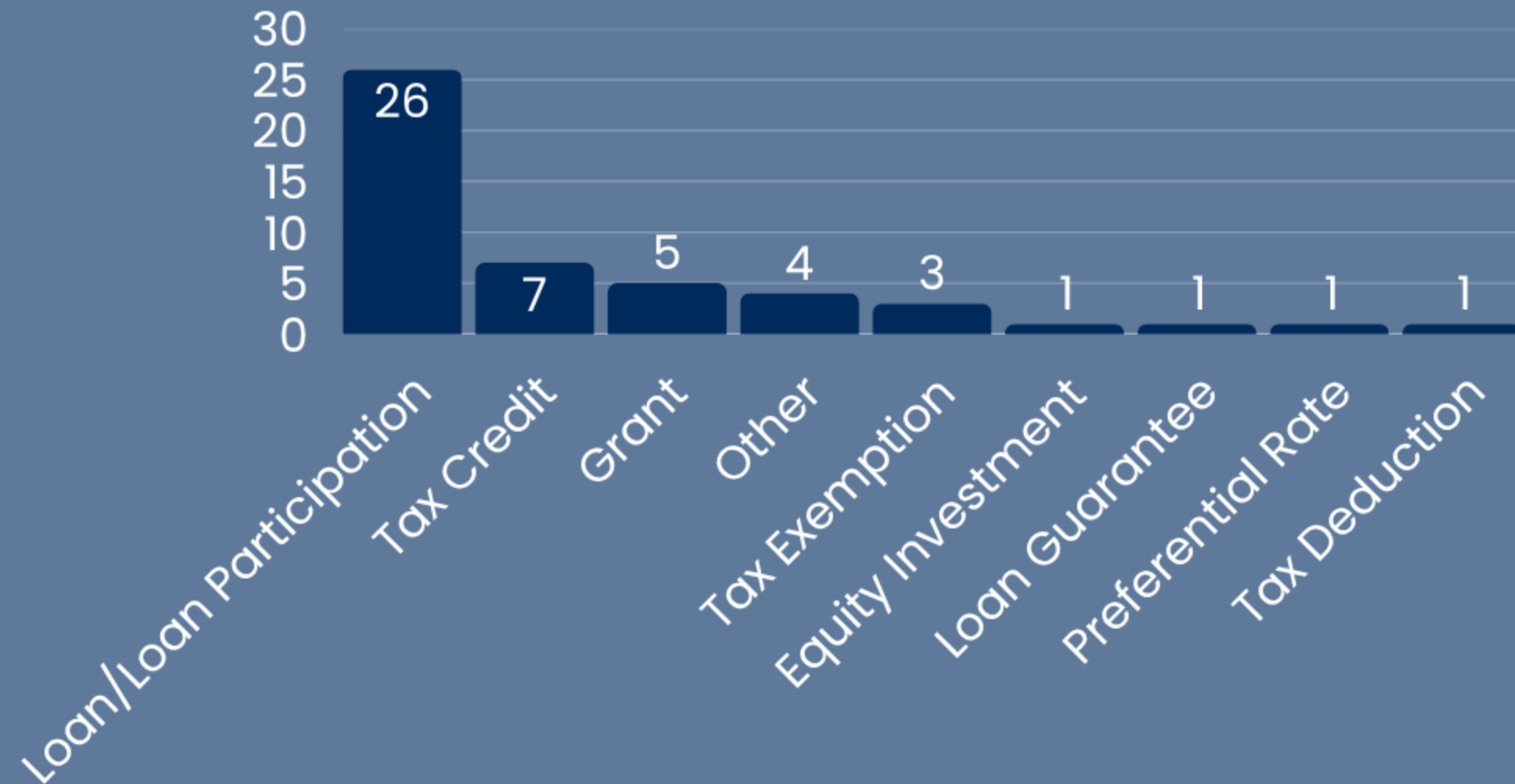
ANALYSIS

www.crec.net

States Rely on Incentives to Spur Business Activity



Vermont's Program Types



Vermont's program mix is dominated by loan and loan participation programs.

This makes Vermont distinctive: while other states typically rely on tax credits and discretionary grants as their core incentive mechanisms, Vermont leans heavily on repayable financing tools administered through VEDA and partner funds.

Vermont's Program Focus



Most programs are narrowly applied and concentrated on industry targets (e.g., agriculture, forestry, renewable energy) and infrastructure financing (e.g., brownfields, broadband, energy, and water systems).

VEGI is Vermont's only broad business expansion incentive

Broad business expansion and attraction incentive programs are foundational to state economic development toolkits.



VEGI'S IMPACT

Since its launch in 2007, VEGI has awarded \$41.5 million in incentive payments.

**New Capital
Investment**

\$1.2B

Jobs Created

10,145

New Qualifying Payroll

\$613.4M

**these metrics are cumulative numbers for each year*



METHODOLOGY

CREC utilizes a mix-methods approach when analyzing programs.

01

Utilized the Council for Community and Economic Research's State Business Incentives Database to inventory programs.

02

Identified best practices for incentive programs.

03

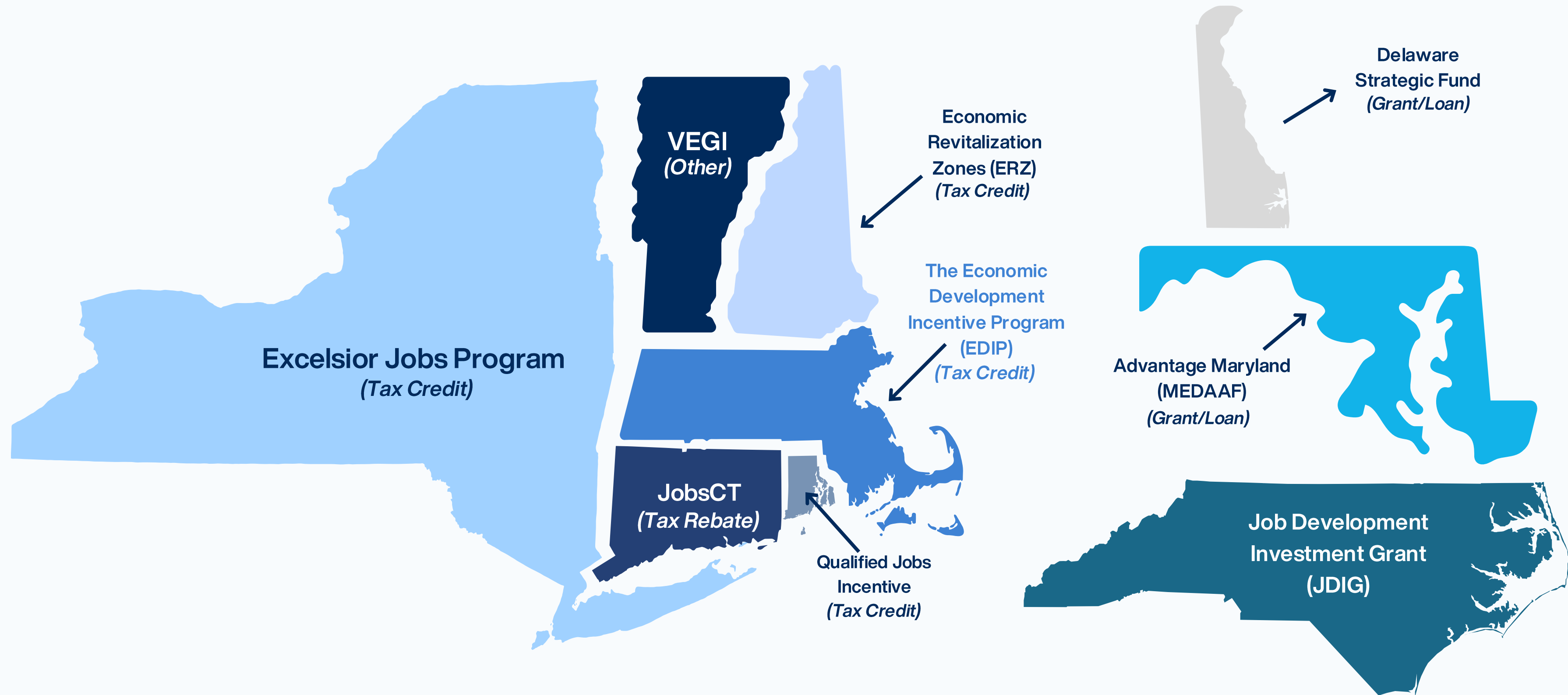
Examined VEGI and similar programs from peer states to make both qualitative and quantitative comparisons with VEGI.

04

Interviewed stakeholders to verify findings and understand broader context for the VEGI program.

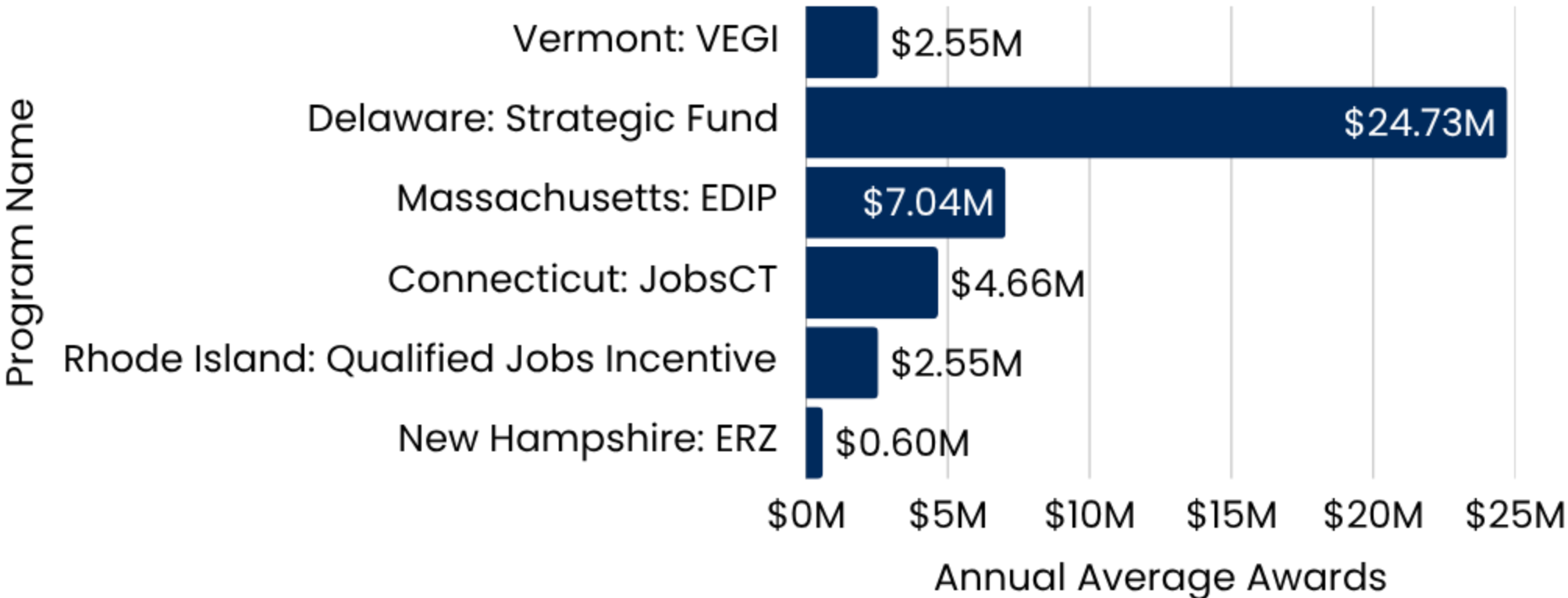
Regional Peers

Job creation/investment programs are the flagship incentive programs for many states



How Does VEGI Stack Up?

VEGI utilization is eclipsed by larger state programs but is in the middle among similarly sized states.



**Annual averages were calculated using data from the past five years, where available.*

North Carolina:
Job Development and
Investment Grant (JDIG)
\$502.4 M

New York:
Excelsior Jobs program
\$168.3M

**these are for average commitments made, not disbursed*

Performance Requirement Comparisons

Program	Job Creation Required	Wage Level Required	Investment Required
Vermont: VEGI	No statutory minimum job count, but must demonstrate net fiscal benefit in REMI model	Yes: new jobs must meet statutory wage and benefit thresholds	Yes: capital investment is required; level varies by project
New York: Excelsior Jobs program*	Yes: 5 - 10	Yes: must meet industry-specific wage thresholds	Yes: discretionary; tied to project scale and industry
North Carolina: Job Development Investment Grant (JDIG)	Yes: 10 - 50	Yes: average wages \geq to county average	Yes: discretionary; scaled by project
Massachusetts: EDIP	Yes: no statutory minimum; awards generally \$10K–\$15K per job created:	Yes: “full-time, permanent, quality” jobs (thresholds vary)	Yes: discretionary, negotiated by EACC
Rhode Island: Qualified Jobs Incentive	Yes: At least 10 new full-time jobs	Yes: at least 250% of minimum wage, plus benefit standards	No
New Hampshire: ERZ	Yes: no fixed statewide minimum; credits scale with each job created	Yes: credit value tied to wage level (4–6%)	Yes: up to \$20,000 per job in facility/equipment costs
Maryland: Advantage Maryland (MEDAAF)	Yes: discretionary; tied to negotiated project commitments	Yes: quality jobs with benefits (Commerce discretion)	Yes: project-based, varies by award
Connecticut: JobsCT	Yes: minimum 25 net new FTEs	Yes: \geq 85% of municipal median income of \$37,500	No
Delaware: Delaware Strategic Fund	Yes: discretionary	Yes: must meet competitive industry wage	Yes: varies; often \geq \$500k+ investment



What the Comparison Shows

- Program requirements vary widely
- Many states rely on statutory minimums for job creation
- Investment requirements are largely discretionary, with some states not having a requirement.
- Wage requirements are often associated with county, state, and/or industry averages

CHARACTERISTICS OF VEGI



Pay-for-performance - Awards are disbursed after results are verified

Data-Driven, Cautious, and Rigorous – Every award is modeled for fiscal return, emphasizing precision over volume.

Formula-Driven, Rather than Discretionary – Decisions follow statutory rules, leaving limited room for negotiation.

Smaller in Scale – The program supports a few carefully vetted projects each year, not hundreds.

Limited in Adaptability and Flexibility – Fixed statutory design makes it harder to adjust as the economic landscape changes.

VEGI is Pay-For-Performance



Contrast examples -

Maryland (MEDAAF): Provides up-front loans or grants, with clawback provisions if performance is not met. Loans may be fully or partially forgiven if performance is met.

Delaware (Strategic Fund): Very similar to MEDAAF in that it is structured as a conditional grant or loan that may be partially or fully forgiven if the company meets agreed-upon performance benchmarks.

VEGI offers fixed cash rewards for meeting job targets, unlike other direct financing programs that provide up-front payments or tax programs that scale benefits with performance.

VEGI's Structure is Rigorous



Contrast examples -

Rhode Island (QJIP): This is a formula-based automatic credit with no fiscal modeling required.

New Hampshire (ERZ): Although the program is formulaic, like VEGI, credits are awarded without modeling or council oversight.

Massachusetts (EDIP): The program requires approval from a council, like VEGI, but the modeling is less formalized and relies on company projections.

VEGI's process is among the most data-driven and cautious relying on economic models to estimate net fiscal benefit.

VEGI is Less Discretionary and More Formula-Driven



Contrast examples -

North Carolina (JDIG): Applications submitted to the NC Department of Commerce are often because of direct engagement with state economic development officials, functioning like a deal-closing tool.

Delaware (Strategic Fund): Projects are coordinated through local economic development offices or state staff, with negotiated metrics on jobs, wages, investments, and clawbacks.

While VEGI involves applicant and VEPC coordination, final decisions rely more on the model's output.

VEGI Operates At a Small Scale



Contrast examples -

New York (Excelsior): Total commitments for the program regularly exceed \$150 million per year across several industries. Excelsior is a part of the mega deal package for Micron's \$100B investment in the state.

North Carolina (JDIG): JDIG also has large commitments similar to the size of Excelsior. In 2021, the program committed more than \$1 billion. Part of that was a \$845.8 million grant provided for Apple's east cost R&D campus.

VEGI trades scale for precision. While programs like JDIG operate at a massive scale, engaging in mega deals, VEGI targets a handful of projects each year.

VEGI is Precise but Less Flexible Compared to Peers



Contrast examples -

Connecticut (JobsCT): Companies must meet job creation and wage thresholds, but there is no statutory formula dictating how ROI or fiscal impact is modeled. DECD has discretion to approve rebates based on strategic value and net benefits. Rebates are issued for 3-7 years, but extensions can be approved for years 8 and 9.

Delaware (Strategic Fund): Awards are directly negotiated with the firm based on project potential, which can include job creation, capital investment, wages, and strategic value. Awards can take the form of grants or loans depending on circumstances.

VEGI has strong guardrails, but also less flexibility than most peers to adapt criteria or add new incentives as conditions change.

Common Themes From Stakeholder Conversations

It is unintuitive and hard to explain

VEGI is valuable for businesses

Successful applicants are companies with capacity to manage the process

One of many tools that has encouraged businesses to stay in the state

VEPC and VT Department of Tax staff support are responsive and clear

The timeframe and payment structure is slow

Background growth growth adjustment can create disadvantages



Discussion Questions: Part One

1. What do you see as the main strengths of the VEGI program?
2. How does VEGI help Vermont compete for employers that might otherwise locate elsewhere?
3. How does VEGI align with what you think Vermont should prioritize in business growth?
4. How do you see VEGI aligning with Vermont's broader economic development goals — workforce, innovation, regional equity, etc.?
5. What kinds of challenges or barriers come to mind when you think about VEGI?
6. What do you hear from employers or local partners about using or understanding the program?
7. Beyond VEGI, what other factors in Vermont's environment might make growth or expansion harder for businesses?

Discussion Questions: Part Two

1. What should be the main goals for Vermont's incentive policy going forward?
2. How can the state better communicate the value and outcomes of VEGI to the public and stakeholders?
3. How could state, regional, or local partners work together to strengthen results from VEGI projects?
4. If you could make one change to VEGI, big or small, what would it be?
5. Are there specific priorities like rural areas, small businesses, or green industries that could receive higher focus?



REPORT OUT



**THANK
YOU**

