

VERMONT ECONOMIC PROGRESS COUNCIL
Minutes of Board Meeting
May 1, 2008
9:30 a.m. – 12:30 p.m.
6th Floor Conference Room
National Life Bldg.
Montpelier, VT

Members Present: Chris Keyser, Mark Young, Rachel Smith, Karen Marshall, Carl Rosenquist, Betsy Gentile, Mary Lintermann, Nancy Port

Members Absent: Vincent Fusca

Staff: Fred Kenney, Jayna Guilford

Others Present: Mat Barewicz, EPRI

9:30 a.m.

Karen Marshall called the meeting to order. Karen thanked everyone for joining us and then asked for any public comment. Mary Lintermann discussed the Commission on the Future of Economic Development community outreach meetings that are taking place around the state. Karen welcomed Rachel Smith, a new member from Franklin County, to the Council.

9:45 a.m.

Karen Marshall asked if there were any changes that needed to be made to the March 27, 2008 minutes. Mary Lintermann made a motion to approve the March 27, 2008 minutes as written. Carl Rosenquist seconded and the motion carried unanimously.

9:47 a.m.

Nancy Port made a motion to enter Executive Session for VEGI Application reviews, citing Title 1, Section 313, Subsection 6. Mark Young seconded and the motion carried unanimously.

10:10 a.m.

Chris Keyser made a motion to exit executive session. Nancy Port seconded and the motion carried unanimously.

10:11 a.m.

The Council exited Executive Session for a policy discussion regarding application review for a material change, a policy implemented last year. Specifically, the Council debated how to handle a material change that is the result of applicant error. The Council agreed that several elements should be reviewed and considered:

1. Source of the error: was it the applicant or administrative
2. Magnitude of the error: including dollar amount, variances in the modeling and incentive calculation, and net revenue impact
3. Impact to the State: positive or negative
4. Impact on Economic Development: job growth, impact on company

The debate centered on the fact that certain changes may require a new run of the cost-benefit model or the incentive calculation, in order to apply the model and the incentive calculation consistently. However, the incentive amount should not necessarily be increased due to an applicant error. The applicant already agreed to commence the project with the incentive amount that was originally authorized. The Council decided to consider and discuss on a case-by-case basis any material changes that result from applicant error, if the request makes it through the process already in place for a material change review. If the error was due to applicant error, the incentive amount will stay the same or be decreased.

Administratively, the Council also requested that a new checkbox certification be added to the application signature page that indicates this potential to applicants. Also, the various employee definitions in the application instructions should be made clearer.

10:30 a.m.

Betsy Gentile made a motion to enter Executive Session for VEGI Application review and EATI performance reviews, citing Title 1, Section 313, Subsection 6. Mark Young seconded and the motion carried unanimously.

11:00 a.m.

Betsy Gentile made a motion to exit Executive Session. Nancy Port seconded, and the motion carried unanimously.

The council considered the following VEGI applications and rescissions:

11:01 a.m.

NEHP, Inc., Williston, VEGI Material Change Review

Authorized October 25, 2007 for 2007 – 2011 Activity

Maximum Incentive Considered: \$182,396

Mark Young made a motion to reissue the authorization document with the payroll levels corrected to exclude employees working outside Vermont, with no adjustment to the background growth amounts or the incentive amount. Nancy Port seconded and the motion carried 8-0-0.

Vermont Furniture Designs

Authorization Period: January 1, 1998 – December 31, 2002

EATI Deferral of Disallowance/Recapture ending: March 24, 2008

Nancy Port made a motion to recommend that the Commissioner of Taxes recapture \$36,940 in EATI credits that have been earned and applied because, in accordance with Title 32, Section 5930h(f)(2)(C), any mitigation of recapture would cause further net negative revenue impact for the state. Betsy Gentile seconded and the motion carried 8-0-0.

VERMED

Tax Years Under Review: 2004, 2005, 2006

Authorized: September 23, 2004 for September 1, 2004 – December 31, 2008

\$543,012 in Payroll, R&D and Capital Investment Tax Credits

Mary Lintermann made a motion to recommend to the Commissioner of Taxes that no credits be applied for tax years 2004 – 2006, and any credits earned during those years and in carry-forward be allowed to remain in carry-forward and be available to be applied in 2007 and 2008, if, after review, the company is found to have met cumulative employment expectations. Unearned credits should remain available to be earned in 2007 and 2008, if the activity occurs to earn the credits and if, after review the company is found to have met cumulative employment expectations. Mark Young seconded, and the motion carried 8-0-0.

Vermont Soapstone

Tax Year Under Review: 2006

Authorized: July 24, 2003 for July 1, 2003 – December 31, 2007

\$41,391 in Payroll and Capital Investment Tax Credits

Betsy Gentile made a motion to recommend to the Commissioner of Taxes that all credits in carry forward and unearned credits be disallowed and that credits earned and applied be recaptured. Chris Keyser seconded and the motion carried 8-0-0.

Clinical Neuroscience Research Associates/Black Dog, LLC

Tax Year Under Review: 2005 and 2006

Authorized January 27, 2005 for January 1, 2005 – December 31, 2009

Mary Lintermann made a motion to recommend to the Commissioner of Taxes that the earned credits be allowed in full. Betsy Gentile seconded and the motion carried 8-0-0.

11:30 a.m.

Fred briefed the Council on the potential results of the Legislative session and a draft of the VEGI Annual report was reviewed.

The Council had a detailed discussion about the 2008 Audit of the VEGI program and the Council's response.

11:25 a.m.

Betsy Gentile made a motion to adjourn. Mary Lintermann seconded and the motion carried unanimously.

Minutes taken by Jayna Guilford: May 1, 2008

Revised by Fred Kenney: May 13, 2008

Approved by the Board: June 26, 2008