

GROWING THE ECONOMY

Helping Job Creators Survive & Grow Capital Investment Loan Pilot Program



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- **WHAT:** The creation of a partnership between the Vermont Economic Development Authority (VEDA) and the Agency of Commerce/Department of Economic Development to develop and implement a convertible loan program for businesses. Businesses will apply for and receive a loan for facility and machinery/equipment investments, with the mandatory obligation of increasing their base payroll by 1.5 times non-seasonally adjusted Employment Cost Index. This Payroll increase can be accounted for in headcount, or overall payroll growth achieved through wage increases. This new program will be an alternative to the VEGI program (not to be used in tandem), will be verified by the Tax Department, and will be low interest (1%) for the first three years of the loan term.

 - **WHY:** As businesses grow to meet market demands, they are faced with barriers in Vermont's tight labor market. If businesses cannot add employees fast enough in Vermont to meet growth demands, businesses may grow outside of the state. This will incentivize their investment in facility upgrades and new machinery and equipment that would create new efficiencies and increase productivity of existing workforce.

 - **WHO:** This new program will be applicable to businesses with less than 100 employees looking to start or grow in every county in Vermont that are looking at opportunities to invest in machinery and equipment and/or facilities and as a result will be increasing payroll beyond the Employment Cost Index. These businesses may be current Vermont businesses going through an expansion, start-up businesses, or businesses being recruited from outside of Vermont. Businesses participating in the program will still need to meet the criteria set in Vermont's current incentive program such as the "but for," not be operating in a limited local market, and be welcomed by the municipality and region in which the project is proposed.
- HOW:** National research and analysis suggests that incentive programs are most effective if funds are paid up front to businesses. For smaller businesses who are less likely to have cash reserves to fund expansion projects and equipment upgrades there is a greater need. This pilot program will be an option that will allow small businesses to more successfully meet market demands. The partnership being created with VEDA means that the risk to the state is mitigated – because VEDA will be underwriting the loan and taking a security interest in the assets.
- **FUNDING:** The Governor's proposed budget includes \$1,000,000 in seed funding for VEDA to start this program.

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