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Press Release

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New Report: Vermont Employment Growth Incentive Parts 2 & 3: VEPC Due Diligence and Other Matters

MONTPELIER, VT – Vermont State Auditor Doug Hoffer today released the final findings of a three-part investigation of the Vermont Economic Progress Council's (VEPC) administration of the Vermont Employment Growth Incentive (VEGI) program. Part Two of the evaluation focuses on VEPC's due diligence and Part Three focuses on structural weaknesses of the program and how it's reported.

Among the key findings of the investigation were: 1) VEPC does not verify whether VEGI applicants would undertake the proposed economic activity without the incentive, and 2) when VEPC's actions are inconsistent with law or the interests of taxpayers, there is no accountability since their decisions cannot be appealed. Putting aside questionable claims about the benefits of the program and excluding the cost of administering it, VEGI and its predecessor program – the Economic Advancement Tax Incentive – have cost Vermonters roughly $90 million over the last 22 years (without adjusting for inflation).

The VEGI program hinges on a claim that recipients would not have created new jobs and made capital investments "but for" the awards. This claim, however, can't be evaluated by the public, legislators, or other state officials other than the State Auditor because of confidentiality provisions.

"There is no transparency to how VEPC makes VEGI awards, and the program's supposed safeguards are nonexistent or flawed," Hoffer said. "My examination of confidential records found that VEPC made virtually no effort to verify 'but for' statements by applicants. This is in stark contrast to what is required of low-income families seeking public assistance. Vermonters deserve better for the millions spent on this program every year."

The first part of Hoffer's investigation centered on VEPC's $4.5 million award to Marvell Technology at roughly the same time it laid off nearly 80 Vermont employees. That investigation (available here) raised questions about the legality of the 2019 award. It also spotlighted the program's lack of accountability.

"According to statute, decisions by VEPC are not subject to administrative or judicial review," the report noted. "This is very unusual. The idea that a group of appointed officials can make costly decisions about the use of public dollars with absolutely no accountability is antithetical to Vermont's representative form of government and to the expectations of Vermonters."

The final part of Hoffer's investigation – Part Three – centers on structural weaknesses of the program, specifically:

- **The average wage** for new hires of firms receiving VEGI awards has declined over five of the last six years, and the average inflation-adjusted wage of these jobs is 37% lower today than in 2012.
- **The wage distribution** of new jobs at firms receiving VEGI awards tracks low. VEGI ceased reporting on the distribution of wages years ago. When it last did so in 2016, almost 1/3 of new hires were paid less than $15/hour.
- **Awards are geographically concentrated** in areas of the state with greater economic activity. There are no active or complete applications in five of Vermont's 14 counties – Addison, Bennington, Essex, Grand Isle, and Rutland. This trend calls into question whether VEGI can help improve the urban-rural disparity of Vermont's community and economic development.
- **The VEGI calculation to assess a firm's rate of growth is flawed.** Awards are given based on industry average growth rates rather than a company's specific growth rate. This calculation leads to wasted taxpayer dollars for faster-growing firms.
- **The program does not control for applicants who have laid off Vermonters.** VEGI incentives are not intended to reward firms for recreating jobs lost during the prior two years, but the devil of this provision is in the details. VEPC's rules for the program effectively limit the adverse impact of this "lookback" calculation on applicants that have laid off Vermonters.

To view the full report, please click here.