Doug Hoffer Testimony
House Committee on Ways & Means
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VEGI

The technical working group is looking at the background growth rate. They may recommend some modest changes, but it won't get at the real problem. One need only look at the awards to Dealer.com and Green Mountain Coffee to understand the problem. Even if we accept the “but for” in both situations, the size of the awards would have been much lower had the Council’s methodology required consideration of the company-specific growth rates.

That aside, the foundation of the program is the “but for” claim by the applicants. Here is an example of

In Oct. 2013, company X (by all accounts a fine company) was awarded over $300k in VEGI "incentives." I found the article below (linked from the company's website).

> *"...the company employs a workforce of 40 full-timers, one regular part-timer, and several paid interns or on-call computer production employees at any given time. It has adjunct offices [overseas] and soon will open one in [another region]. Over the last five years, overall sales have increased by 95 percent, and in 2012, the company posted revenues of $15 million, with a 10-year goal of $350 million. Plans are to double the size of the existing facility in the next couple of years."*

This makes it very clear that 1) the firm had been growing like crazy for several years, and 2) that they were already planning to expand in South Burlington. And this was 10 months prior to the award by VEPC. Makes you wonder how the Council could have justified the award. And of course the average industry background growth rate was no barrier for these guys.

Requiring VEPC to use company-specific background growth rates would be challenging, but the effort would be justified if it prevents VEPC from authorizing millions in unneeded awards.

Finally, we often hear folks characterize these so-called incentives as investments. But if our $10 million in EATI and VEGI awards to Green Mountain Coffee had been investments, taxpayers could have gotten their money back (with or without interest) when the company was sold for $14 billion. Likewise, we gave Dealer.com over $5 million but got nothing when it was sold for $900 million. This is important because to get the awards the company’s assert that they couldn’t do it without the state’s help, so their success is based in part on the money provided by Vermont taxpayers.