



STATE OF VERMONT
OFFICE OF THE STATE AUDITOR

To: Rep. Janet Ancel, Chair, House Committee on Ways & Means
Date: 3 May 2021
Re: S. 33
CC: Rep. Emilie Kornheiser, Vice Chair, Ways & Means

Good morning. I see you are scheduled to take up S.33 on Thursday morning. I offer the following comments re: the House Commerce Committee proposal which I believe you will be working from. For clarity, I will comment on the Commerce amendments before turning to an unchanged element of the underlying bill.

Amendment #1: The second half of the amendment modifies the Senate language concerning: VEPC authorization to adopt rules re: treatment of brownfield costs.

SAO Comment: We recommend replacing the Commerce proposal of amendment with this replacement language to be clearer: “For environmental remediation of a brownfield, ~~this shall include~~ the cost of the brownfield remediation and site preparation is limited to needed ~~to stimulate development or redevelopment in the tax increment financing district~~ activities as identified in clean-up documentation approved by a regulatory agency.”

Amendment #2: Eliminates the TIF pilot program.

SAO Comment: We strongly support the Commerce position. The proposal, with a cost of up to \$50M and a shelf life of 20 years, cannot truly be called a pilot. And with substantial federal funds for improvements flowing to Vermont municipalities, through the legislative budget and directly from the federal government, this is not the time to invent a complicated new financing mechanism which, if the existing TIF program is an indicator, would prove extremely challenging to administer.

Amendment #3: Modifies the definition of “financing” and retains Senate-passed modification of definition of “improvements” to allow the use of debt proceeds to pay interest on debt for up to five years.

SAO Comment: We strongly recommend striking the proposed change to the definition of “improvements.” SAO and JFO have testified about the impact that this has on the TIF district (it delays investment in improvement projects) and the cost to the Education Fund (delays return on improvements and could lead to increase in the amount of tax increment needed to finance the district).

Amendment #4: Clarification that parcels in the district at the time of the district's creation should be wholly in the district.

SAO Comment: No position.

Amendment #5: Clarifies amount due from municipality to the Education Fund and relocates from Title 32 to Title 24.

SAO Comment: The relocation of this language is fine. We do, however, recommend modifying the language for clarity. We believe this language meets the intent of Commerce: "In each year, a municipality shall remit no less than the amount equal to the tax calculated based on ~~not less than~~ the aggregate original taxable value to the Education Fund."

Additional Comment:

While the change made to 32 VSA 5404a(f)(2)(C) is more of a housekeeping change, the SAO recommends striking (C) altogether. There is no timing or policy justification at this time to allow the Emergency Board to override the current statutory limit to the number of permissible districts.