



**STATE OF VERMONT  
OFFICE OF THE STATE AUDITOR**

To: House Committee on Commerce and Economic Development

Re: H.10 2.1

Date: 28 February 2023

There are some serious weaknesses in the VEGI program, and some can be addressed directly or as part of the proposed study. I offer the following suggestions for the H.10 study and other matters.

- **LMA Enhancement** – This has cost the State \$5.4 million in additional awards and reduced net revenue by \$4.8 million.<sup>1</sup>

Consider this: The LMA enhancement is effectively an unearned entitlement. If an applicant is located in a county whose unemployment rate, while appearing higher than the statewide average, may actually fall within the statistical margin of error and, therefore, not be any different than the statewide average. Is that sufficient to warrant millions in enhanced awards?

Absent evidence that these enhancements are necessary to the “but for” they are a waste of taxpayer funds. The study group could ask the Legislature’s economist to review records from a sample of LMA enhancement recipients to consider whether the enhancement was likely to have played a role in the applicant’s plans.

- **Retention** - VEPC has admitted making awards for job retention, one for \$5 million. Nowhere in statute is VEPC authorized to approve awards for job retention. To my knowledge, VEPC never sought permission from the legislature to make such awards.

In my view, the legislature should make clear that VEPC may not make awards for anything except growth. This could be done easily in statute. I encourage you to ask the legislature’s economist to share his thoughts on this subject.

- **Wage threshold** – The lower threshold in areas perceived as distressed (140% of min. wage vs. 160%) was supposed to promote activity not otherwise likely to occur. Here too, JFO could review records of some successful applicants from the supposedly distressed areas to look for evidence that the lower wage threshold was likely to have played a role in the applicant’s plans.
- **Reporting:** The committee should instruct VEPC to improve its reporting system. The first bullet was in the original H.10.

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<sup>1</sup> [2022 VEGI Annual Report](#), Table 2B, p.16.

- Awards & Jobs – VEPC seemed agreeable to reporting awards paid and jobs created by individual company so there is no reason to wait.
- Wages – VEPC should report all wages in ranges (e.g., < \$30k, \$30k - \$40k, \$40k - \$50k, etc.). It did so previously<sup>2</sup> and there is no statutory prohibition.
- Geography – VEPC should disaggregate the counties currently combined<sup>3</sup> and report awards for every county individually.
- Business size – VEPC should report the total dollar value of awards and purported jobs created by size of business, not just the number of awards.<sup>4</sup>

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<sup>2</sup> 2017 VEGI [Annual Report](#), Table 5, page 20.

<sup>3</sup> [2022 VEGI Annual Report](#), p.6.

<sup>4</sup> Ibid.