



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

To: House Committee on Appropriations

Re: Department of Economic Development (DED) – Performance Measurement Issues

Date: 7 April 2026

Performance measurement (PM) is an essential tool for program managers, policymakers and taxpayers. After many false starts, the State is making progress on performance measurement.

The Auditor's Office routinely includes PM in its audit objectives, and we will continue to do so. For now, I've chosen to drill down to a level not yet examined by the Administration's Performance Office. That is, the validity and accuracy of the data submitted for the [Annual Report](#) and also presented in budget documents and departmental annual reports.

For this exercise, I reviewed PM data from six programs operated by DED. The findings are concerning.

- Two programs do not collect performance data at all. Instead, they report anticipated outcomes taken from grant applications (**Trade Assistance - STEP** and **Brownfield Initiative - State**).¹ Some of these measures are falsely labelled as "Results."²
- One program reports the total number of state & local government contracts with VT businesses implying direct involvement by the program, which is not possible given the volume (thousands) and not necessary given the experience of many businesses (**Contracting Assistance - APEX**).
- One program reports outcomes that cannot be objectively verified (**VEGI** – the "but for"), along with hugely overstated ROI. In addition, outcomes are based on confidential data so the Legislature cannot verify them.
- Two programs report outcomes based on flawed methodology that overstate results (**TIF** and **VTP**).

Taken together, these PM data represent a pattern of misrepresentation that is a disservice to policymakers and taxpayers. No doubt there are valuable services provided by these programs, but their performance should reflect objective cost-benefit analyses, not unverifiable self-serving assertions.

The legislature has excellent but limited staff resources in the Joint Fiscal Office. But in many instances, policymakers must rely on the administration and lobbyists for critical information about the effectiveness of state programs. It is expected that lobbyists will promote the interests of their clients. But one would hope that representatives of the Executive Branch would be a source of accurate and reliable data. For the programs reviewed here, that is not the case.

See below for details.

¹ Confirmed by e-mails from a DED staffer on 12-22-25 (STEP) and 12-24-25 (Brownfields).

² Jobs created, projected export sales and ROI.

Vermont Economic Progress Council: VT Employment Growth Incentive (VEGI)

From the 2025 VEGI [Annual Report](#):

“For every dollar spent on VEGI [incentives] from 2007-2023...an additional \$42.70 has been generated in [economic activity] that otherwise would not have occurred.”

A 43 to 1 return on investment (ROI) sounds too good to be true. It is. First, the ROI is not economic activity, it's net tax revenue from that activity, which is a small fraction.³

Second, the general assertion about causality is not supported by facts that can be verified independently. It assumes that none of the economic activity supposedly incentivized by VEGI would have occurred “but for” the awards. Our upcoming audit report on VEGI provides compelling evidence to the contrary.

We examined one key element of the program's cost-benefit model used to determine the amount of the grant and found that newly available data exposes flaws in the methodology and justifies changes. The program is intended to protect taxpayers by avoiding grants for “background” growth that would have occurred without the award. We found that the industry-wide average background growth rate used to discount the award seriously understated some applicants' growth rate. As a result, millions in taxpayer dollars were likely wasted and the claimed ROI is greatly exaggerated.

In addition, a [2020 review](#) by the Auditor's Office of confidential documents from five VEGI applications found that VEPC's “but for” due diligence was deficient. VEPC approved all five of those applications without sufficient evidence to support the awards (see the Appendix).

Furthermore, after waiting years for enough reliable evidence to answer the question, a well-respected independent analyst⁴ said this about the “but for”:

“Based on a review of 34 estimates of “but for” percentages, from 30 different studies...at least 75 percent of incited firms...would have made a similar location / expansion / retention decision without the incentive.”⁵

In contrast to these evidence-based analyses, VEPC relies on self-serving attestations unsupported by evidence (the “but for”) and comments by businesses that benefitted directly from the program (see page 6 of the 2024 [Annual Report](#)).

Claims regarding VEGI's ROI cannot be validated, and the information relied upon by VEPC is confidential and not available to legislators. The lack of transparency is troublesome because VEPC's decisions are not subject to administrative or judicial review⁶ – thus, there is no accountability.

This makes it difficult to take seriously VEPC's claims about VEGI's performance.

³ The multiplier effect of capital investment is small, and the resulting property tax benefits are modest.

⁴ Mr. Bartik's work has been [cited](#) more than 4,000 times since 2020 and he is considered an impartial expert in these matters.

⁵ Bartik, Timothy. [Upjohn Institute Working Paper](#) 18-289, July 2018.

⁶ [32 V.S.A. § 3325](#)

Vermont Economic Progress Council: Tax Increment Financing (TIF)

Introductory comments in the most recent TIF [Annual Report](#) offered this example of how “TIF is one of the few levers Vermont has to grow the Education Fund”:

“Starting next year, the Winooski TIF District will send an additional \$2.6 million annually to taxing authorities that otherwise would not have existed.” (emphasis added)

There are three problems here.

1. This assumes that Winooski’s TIF district would not have experienced any Grand List (GL) growth without the TIF. The [Joint Fiscal Office reported](#) that Winooski (like all other TIF districts) had quantifiable GL background growth prior to the TIF; in this case, 2.24% annually. That means some of the growth attributed to TIF is likely to have occurred without it. Therefore, the supposed new TIF-induced tax revenue is overstated and should be recalculated.
2. VEPC’s assertion that the TIF will add “an additional \$2.6 million annually to taxing authorities” is technically accurate but misleading. That subsection in the report is entitled “Education Fund Revenue.” In fact, only a portion (\$1.6 million) of the \$2.6 million is bound for the Ed Fund, while the rest goes to the City of Winooski (\$990,000).⁷ Moreover, Winooski retained over \$16 million in Ed Funds throughout the TIF, so it will take ten years to repay the borrowed money before the new increment is available.
3. The 2023 [TIF Annual Report](#) stated that Winooski benefitted from \$43 million in cumulative public investment (65% more than the TIF). Any town would be grateful for that much public support, but it is misleading for the Annual Report to imply elsewhere that the somewhat exaggerated tax benefits are solely the result of the TIF. Further, VEPC reported that there was a \$79 million increase in taxable value, but that doesn’t account for the background growth estimated by JFO or the increased value reported by the town after the recent reappraisal.

On another note, VEPC is required by [statute](#) to report job creation data for the TIF districts. The latest Annual Report said that “*According to the municipalities’ self-reported data, there has been a net increase of 1,990 jobs in the TIF Districts since 2013.*” (emphasis added) The TIF districts report having lost 1,696 jobs since February 2020.

In any event, since the VT Dept. of Labor does not report jobs data at the TIF district level, there is no official data. Indeed, VEPC admits it.

“The methodology by which jobs are counted differs by municipality, and some jobs may not be new to Vermont, permanent, or fulltime.” (emphasis added)

This takes “caveat” to a whole new level. If the available data is so unreliable, shouldn’t VEPC discontinue reporting jobs? And shouldn’t the legislature remove that requirement from the statute?

⁷ These figures are subject to change not current as Winooski recently had a citywide reappraisal.

Department of Economic Development: Vermont Training Program (VTP)

The VTP enabling [statute](#) calls for three outcome measures, including median aggregate wage increases for trainees compared to statewide average increase for all occupations.

There are a number of weaknesses with this measure. First, VTP does not report disaggregated wage data, only median income. This is not optimal. The VTP relies on the Vermont Department of Labor (VDOL) for wage data but there are flaws in the methodology. For example:

- The VDOL does not report hourly wages; only changes in earned income for workers before and after the training. This ignores the impact of possible changes in hours worked.
- The median is the midpoint and is useful for many purposes, but it ignores the distribution of wage increases. Policymakers would benefit from getting income changes by range, such as quintiles.
- Trainee wage data is compared with statewide figures, which are not apples-to-apples because the distribution of trainee occupations is nothing like the statewide mix. For example, in 2025, 67% of VTP-trainees were in “advanced manufacturing”, while only 11% of all statewide jobs are in manufacturing. And though 12% of statewide jobs are in tourism & recreation, that sector was not represented in VTP-funded training. Such comparisons should track employees in similar industries.
- The VDOL reports changes in median income over five quarters. This is unusual and introduces risk for the usefulness of the data. For the statewide comparison, the five-quarter period can produce significantly different results than four quarters. The five-quarter term is not adjusted to compensate for the different reporting periods (as VDOL does for employment data).
- VTP reports the data without any caveats, leaving readers with the impression that VTP-funded training is the sole cause of the reported wage increases. The magnitude of the variance argues for additional analysis or acknowledgement that causality is not limited to VTP training. In addition to the issues noted above, another contributing factor may be the fact that some trainees are new hires and the increase might reflect a transition from a lower paying job (motivation for the switch). In addition, it is not uncommon for new hires to be paid an entry level wage for a review period after which they become permanent employees and get raises. All these factors could explain some portion of the wage increases.

For all the reasons stated above, the reported wage impacts of VTP are not reliable measures of program performance.

Two final thoughts: While there is no “but for” requirement for the VTP, it is appropriate to ask if all grantees actually need these taxpayer funds. Historically, some very successful businesses received multiple large grants as they grew (e.g., Green Mountain Coffee & Dealer.com). Today we see another billion-dollar firm receiving grants (Beta). We can certainly applaud the success of these firms but question whether these grants are the best use of scarce resources.

Moreover, we often hear that there is a critical shortage of workers in Vermont. But while upskilling, cross-training and leadership training all add value to employers, they don’t expand the labor force as all those trainees already have jobs. Something to think about.

Department of Economic Development: Vermont APEX Accelerator

The APEX Accelerator team provides assistance to businesses interested in contracting with federal, state or local governments. The program is funded by the Department of Defense.

APEX reported three measures to the State's Performance Office for fiscal year 2024.

- Amount of total federal & state awards - \$282.8 million
- Number of federal & state contract awards – 4,026
- Number of initial consultations with small businesses – 110

We were provided with a complete list of all federal, state and local contracts purportedly resulting from APEX's involvement. A review of the data raises some questions. For example, for the two calendar years

- 2,653 contracts with 294 different companies.
- Two companies had over 200 contracts each with the Dept. of Defense (20% of the total). These two firms are large and sophisticated with extensive experience in government contracting. It is highly unlikely that either company has needed assistance from APEX in recent years.
- Two construction firms had a total of 39 contracts with state & local governments worth \$100 million (21% of the \$481 million total value of all contracts for the period). Again, these large firms have considerable experience in these matters.

The Department's FY26 budget presentation stated that

"Vermont APEX Accelerator helped businesses secure \$282M in federal & state contracts. 241 businesses awarded, with 4,000+ contracts secured."

This implies that APEX was directly involved in all 4,000+ contracts reported. This is unlikely. When asked if that was true, the Department told us that

"The reported numbers include contracts that APEX directly or indirectly helped secure. You are correct that APEX was not directly involved in each contract reported."

It is unclear how the Department can justify reporting these "results".

The number of new consultations with small businesses is not a useful measure. Consults represent efforts, rather than outcomes. A more useful measure would be the number of businesses having received their first government contract with APEX's direct assistance. I asked for that information and was told that *"An answer...would be speculative as initial consults sometimes take years to develop into contracts."*⁸

That is undoubtedly true, but the actual number of businesses with their first contracts is not speculative, regardless of the timing of the initial consult.

The Department's use of the term "small businesses" may be misleading. According to DED, they use the term as it is defined by the federal government. For most industries, the baseline is firms with fewer than 500 employees.⁹ While this may represent "small" businesses in much of the country, it does not reflect Vermont, which has only 36 establishments with 500 employees or more (out of 31,947 total).¹⁰ For most Vermonters, the use of the term "small businesses" is likely to conjure places with less than 20 employees. APEX should define the term for readers and consider adopting a more Vermont-sensitive figure.

⁸ January 14, 2026 e-mail from DED staff.

⁹ SBA, CFR <https://www.ecfr.gov/current/title-13/chapter-I/part-121>

¹⁰ VT Dept. of Labor, 2025 Size Class by Establishment.

Department of Economic Development – Brownfield Initiative (State)

The Brownfield Initiative (State) reports four performance measures in the State’s [Annual Report](#).

- Number of projected acres mediated and available for development
- Number of projected housing units
- Number of projected jobs created
- Number of sites approved for funding

The first and last measures are important and enable the achievement of the program’s goals, including housing and jobs. It is noteworthy, however, that figures reported are projected and not actual outcomes. DED does not collect actual performance data. The figures are taken from grant applications.

It is unclear why DED does not collect performance data, especially since the number of brownfield sites is modest (44 over the last four years). Counting housing units is not burdensome. Counting jobs is more work but the program’s fiscal benefit cannot be estimated without this type of data (including income and property tax revenues). Substantial public funds are invested in these projects and taxpayers deserve to know the ROI.

Furthermore, the Brownfield application (source of the data) does not ask for details regarding the two key measures. Presumably, the developer’s business plan includes plans for the size and affordability of the proposed housing units. Estimating wages for projected jobs would be more difficult but that is exactly why actual performance data is preferable to projected values.

Department of Economic Development – State Trade Expansion Program

The STEP program reports six performance measures, four of them are related directly to goals.

- Actualized export sales
- Jobs created
- Projected export sales
- Return on Investment

DED does not collect actual performance data for STEP. Some of the figures reported come from grant applications, although some are falsely labelled “Results”. Only one of these four includes the descriptor “projected.” Two of the measures are calculated by SBA (which funds the program) using questionable data.

Appendix: [VEGI Due Diligence](#)

These are excerpts from our 2020 report on VEPC's due diligence on VEGI's "but for" attestations.

1. An applicant noted that it had previously received a substantial incentive to expand operations in another state. The applicant stated that it would decide where to make its next investment based on total cost, net of any grants or incentives. The clear implication was that the company was willing and able to shop around and that incentives were an important consideration. However, the applicant reported that it was not seeking incentives from any other state, so it's unclear whether the company was seriously considering out-of-state alternatives.

The VEPC staff write-up submitted to the Council referred to "competition" from the state where the company had received an earlier incentive. But there is no evidence to support this assertion because the applicant admitted it was not seeking an incentive from that or any other state. It is unclear why, in the face of a somewhat insubstantial "but for" statement, VEPC staff accepted the applicant's insinuation and mischaracterized the facts. The application was approved.

2. An applicant described three options for an expansion, assigned risk levels to each, and stated that the Vermont option required financial assistance to make it work. However, there is no evidence that VEPC requested information to support the company's characterization of the costs and risks of the options, which was the basis of the applicant's "but for" attestation.

Also, VEPC never verified the assertion that the firm needed financial assistance. This is significant because the company's payroll had grown significantly in the preceding three years, which demonstrated its ability to grow without VEGI incentives. If the company meets its performance goals, the award authorized by VEPC represents 1.5% of the company's expected new payroll over the five-year term of a VEGI award. While every dollar matters, these facts argue for a closer examination of whether such an incentive is pivotal to the company's decision.

These deficiencies were not highlighted in the VEPC staff write-up, but the write-up did include this cautionary note to the Council:

"The company has been quoted in the news...about their growth plans in Vermont, so the Council should vigorously question how the company's 'but for' statement matches with their representations to the media about their plan to continue growing in Vermont."

While the matter may have been discussed in executive session, there is no evidence that the Council sought additional documentation. The application was approved.

3. An applicant described earlier investments that resulted in considerable growth. It was seeking to expand into what it characterized as a new product line to meet new and growing demand. Having reached capacity in its facility, the company said it needed an incentive to grow.

Based on information submitted by the applicant, it was a successful company, which needed to expand to keep up with its competitors. Given its growth and access to capital, the assertion that it would not expand without incentives was curious and the staff expressed concern:

"The Council should vigorously question the company's But For statement. There has been no backup documentation provided to support the statements in this application, so the Council should question the assertion[about the need for] the incentive."

There is no evidence VEPC sought additional documentation. The application was approved.