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STATE OF VERMONT
OFFICE OF THE STATE AUDITOR

TO: Senate Committee on Economic Development, Housing, and General Affairs
FROM: Doug Hoffer, State Auditor, Vermont State Auditor
DATE: February 26, 2025
RE: TIF Observations Informed by 12 Years of Independent Review

Summary
Since 2013 the Legislature has required the State Auditor's Office to conduct a series of
audits of Tax Increment Finance (TIF) districts. Ten audits and many policy discussions
later, we make the following observations:

1. TIF has been an expensive way to finance municipal infrastructure projects, costing
    $1 in interest for every $2.70 of capital spending, totaling more than $70 million in
    interest payments.
2. The Joint Fiscal Office, the Executive and Legislative economists, and the Emergency
    Board have all concluded that TIF is a cost to the Education Fund.
3. TIF's complexity has led even Vermont's largest municipality to make millions of
    dollars of accounting errors.
4. TIF's complexity results in frequent legal ambiguities which make enforcement of
    statutes and rules difficult. The problem is compounded because TIF administration
    is subject to internal conflicts as VEPC (along with DED and ACCD) is expected to
    promote TIF while also enforcing the rules.
5. Auditing TIFs is expensive both because of the rigor of our audits (intended by the
    Legislature to protect the Education Fund) and because some communities struggle
    to administer the TIFs, resulting in longer audits.
6. The Legislature is frequently presented with TIF program results which are not
    supported by the nonpartisan Joint Fiscal Office, including core outcomes such as
    Grand List growth, job creation, and new tax increment, which are predicated on
    flawed assumptions.
7. Frequent and common problems uncovered in our audits are not small, technical
    matters, and the Legislature can act to improve compliance (see section 7 for
    legislative recommendations).

We look forward to assisting the Legislature as you consider how to address the existing
TIF program, and to advise you as you consider proposals to expand or change TIF.