



City of Barre, Vermont

“Granite Center of the World”

Carol Dawes
Barre City TIF Administrator

6 N. Main St., Suite 6
P. O. Box 418
Barre VT 05641
Telephone (802) 279-6126
TIFAdmin@barrecity.org

To: House Ways & Means Committee
From: Carol Dawes, Barre City Tax Increment Finance (TIF) Administrator
Date: February 19, 2025
Re: H. 178: Request for reimbursement of TIF funds overpaid to the VT Education Fund

Please accept this as supporting materials for H.178, requesting reimbursement of TIF increment funds overpaid to the VT Education Fund by the City of Barre.

While conducting the Milton TIF audit in 2024, the State Auditor’s Office discovered an error related to education increment calculations for properties under tax stabilization agreements. The error is embedded in the New England Municipal Resource Center’s (NEMRC) TIF increment calculation model, and is applicable to both Milton and Barre City.

The State Auditor’s Office worked closely with the Vermont Economic Progress Council (VEPC), NEMRC, VT Department of Taxes Property Valuation and Review Division (PVR), and the City of Barre to review the calculations and document the corrections. The results are reflected in the revised Barre City TIF audit released on December 20, 2024 (originally released on July 20, 2021). **The miscalculations caused the City of Barre to pay \$437,028 more to the state Education Fund than should have been paid for fiscal years 2016 through 2020.**

The original audit completed in 2021 included \$20,962 in funds due to the Barre City TIF fund from the VT Education Fund. This reimbursement was approved by the 2022 VT Legislature in Act 83, and was refunded to the City of Barre on May 13, 2022.

We are requesting similar approval for reimbursement of \$437,028 as identified by the State Auditor’s Office. This amount is listed in the revised TIF audit as shown on the table below (excerpted from the 12/20/24 audit revision:

yellow highlights total \$20,962. Approved in Act 83 (2022) to be reimbursed to Barre City TIF Fund from VT Ed Fund

orange highlight to be requested from legislature 2025 for reimbursement to Barre City TIF Fund from VT Ed Fund

Table 3: Impact of Errors on Education Tax Liability and Amount Owed to Barre City by the Education Fund

Period	Description of Errors	Addition/(Reduction) to Education Tax Liability
FY2016	Understated TIF NHS exemption due to the omission of the \$1.5M increment value	(\$16,645)
FY2017	Inflated property assessment value and overstated TIF NHS exemption; and omission of two property base values	(\$8,808)
FY2018	Omission of base values for three properties	\$2,206
FY2019	Omission of base values for three properties	\$2,285
FY2016 - FY2020	NEMRC® Programming Error	(\$437,028)
Total Amount Due to Barre City from the Education Fund		(\$457,990)

Table from Barre City revised TIF audit (12/20/24), p. 15

The NEMRC grand list module calculates increment on properties in the TIF district. The error caused the amount of education increment to be under-calculated, with more taxes being sent to the education fund than should have been for two specific properties under tax stabilization agreements (TSA's):

- 14 N. Main Street (Blanchard Block)
- 219 N. Main Street (City Place)

Tax stabilization agreements impact municipal taxes, which are reduced over the life of the TSA's, however, as per statute, education taxes are calculated based on the full, post-improved values of the properties. But the NEMRC grand list module does not treat the increase in value as increment, and the entire education tax increase was paid to the state education fund. As per TIF statute applicable to the City of Barre, 25% of the increment of education taxes is to be paid to the state education fund, with the 75% balance being retained in the Barre City TIF increment fund to be used for debt service and related costs.

The Vermont State Auditor's Office reviewed the data for FY16-FY20, which was covered in their July 2021 Barre City TIF audit report, and issued a revised audit report on December 20, 2024 indicating an amount of \$437,028 was overpaid to the Vermont Education Fund by Barre City, and is due to the City as a refund from the state education fund. The revised report has been issued to the legislature, and is available on the [Auditor's website](#).

Please note the state auditor's corrective calculations run through FY20, which coincides with the dates of the Barre City TIF audit, however, the NEMRC calculation error continues to this day. Barre City will work with NEMRC and PVR to correct the miscalculations from FY21 through the current year, and seek further reimbursement from the Vermont Education Fund for additional funds erroneously paid to the education fund.

According to the State Auditor's Office, the Agency of Education does not have statutory authority to initiate or make reimbursements from the State Education Fund, as such reimbursements are not one of the statutorily allowed uses of Education Fund resources. According to AOE, reimbursement from the Education Fund requires Legislative action.

There is precedent for this request: similar reimbursements were made to Thetford School District, the Town of Brandon, and Windsor Central Unified Union School District through Act 122 (2020), and to the City of Barre through Act 83 (2022).

Please feel free to contact me with any questions. I can be reached at the phone number or email address at the top of this letter.

Thank you for your consideration.