



**Date:** April 28, 2017  
**To:** Vermont Mayors, Managers, VLCT Board  
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**Re:** House Ways and Means Adopts Unfortunate TIF Amendment as part of S.135

On Friday, the House Ways and Means Committee voted an amendment to the comprehensive economic development bill, [S.135](#), which would severely restrict the number of Tax Increment Financing (TIF) districts in Vermont and constrain authority to create new districts. After months of testimony in both Senate and House committees and both the full Senate and the House Commerce Committee endorsing authority for the creation of up to 14 new TIF districts, the House Ways and Means Committee made significant changes to S.135, and the essential structure of TIF districts moving forward. The amendment will replace language addressing TIFs in S.135, the comprehensive economic development bill as it was voted by the Senate and the House Commerce Committee.

Here are the most significant changes made by the committee's amendment:

**Create Two Types of TIFs.** The current model of TIFs enabled in statute are renamed *Statewide* Tax Increment Financing districts. Any new potential TIFs created are to be called *Municipal* Tax Increment Financing districts. The new Municipal TIF districts would have no impact on the Education Fund because they would be specifically prohibited from using any new education property tax increment that is generated from development within the district. The new Municipal TIF would look nothing like current TIFs. Please note that right now a municipality could create a TIF using only newly generated municipal property tax revenues. It doesn't work because the municipal property tax is a small portion of the overall property taxes paid by any development.

**Cap of Number of Districts.** There are currently nine functioning TIF districts statewide. One TIF is retired because it has been fully implemented and the associated debt has been paid off (Newport) and one other was dissolved before implementation (Colchester). **The Ways and Means Committee's proposal would allow the Vermont Economic Progress Council to approve only two more TIF districts.** As S. 135 came to the House from the Senate, and as discussed in the House Commerce Committee, there would be authority to create up to fourteen new TIFs, no more than two in one county and no new TIF in a town until debt in current TIFs is repaid.

**Legislative Approval.** The Ways and Means Committee amendment would mandate that the legislature, not the Vermont Economic Progress Council (VEPC), give final approval to any new TIF districts. While VEPC may approve two new districts, at the legislative Emergency Board's annual January meeting, the Board must adopt a consensus estimate of forgone revenue from the Education Fund that results from the retention of education property tax increment by TIF districts for the succeeding fiscal year. By September 30<sup>th</sup> the Emergency Board must submit to the Governor and the legislature an estimate of the maximum amount of new long-term net debt that prudently may be authorized for TIF districts in the succeeding fiscal year. The Board's advisory estimate must consider any existing or new debt incurred by authorizing TIF districts, and the impact of the amount of the indebtedness on the General and Education Fund. **Ultimately, the legislature may use the estimate of the maximum amount of new long-term net debt that prudently may be authorized for tax increment financing districts in the next fiscal year to determine whether to expand the number of tax increment financing districts.**

As well, the amendment would require that in each fiscal year the amount of General Fund dollars transferred to the Education Fund would include “an amount equal to one half of the official estimate of foregone revenue from the Education Fund adopted by the Emergency Board.”

**Overall Impact on TIFs Moving Forward.** The House Ways and Means Committee turns the discussion of TIFs on its head. The legislature would be given total and final control over whether or not there is capacity for new TIFs. The General Fund must reimburse the Education Fund of half of its foregone revenue each year. However at the time a TIF is created, there is no foregone revenue as new tax revenues only increase upon a development being constructed and added to the grand list. Nevertheless, municipalities will be at the mercy of the legislature to fund General Fund transfers to the Education Fund each year to cover 50 percent of the estimated foregone revenue, which is highly unlikely and severely jeopardizes future TIFs.

S.135 will be debated in the House next week, which is the final week of the legislative session.

**Contact your House Representatives. Urge them to support the full Senate and House Commerce Committee version of the TIF language in sections J, J.1-J.3 of S.135.**

To contact your representatives, find their email at the legislative website (<http://legislature.vermont.gov>) or call the Sergeant at Arms at 802-828-2228 to leave a message.

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