

# CAPITAL FINANCING AND DEBT MANAGEMENT OVERVIEW

Vermont State Treasurer's Office  
February 2022



# ***VERMONT'S OVERALL DEBT STRATEGY***

- The State has substantially reduced outstanding debt since 1990s, however there is a need to continue in light of national trend of reductions in bond issuance
- Uncomplicated debt profile, almost entirely general obligation debt
  - Transportation Infrastructure Bonds – issued 2010-2013
- 100% fixed rate bonds
- Level principal produces rapid amortization
- Capital Appropriation Changes adopted by the General Assembly have improved the process:
  - Two-year recommendations
  - Use of bond premium used for projects reduces amount of issuance

# ***CAPITAL DEBT AFFORDABILITY ADVISORY COMMITTEE***

- The CDAAC was created by State statute in 1989
- Annually reviews affordability of Vermont's net tax-supported debt
  - Benchmark to debt ratios of other Aaa rated states
    - Debt as a Percentage of Personal Income
    - Debt Service as a Percentage of Revenues
    - Debt Per Capita
- Recommends annual debt issuance to Governor and General Assembly
- Recommendation is advisory; in practice, Governor and General Assembly have always adopted
- Reviews amount and structure of bonds, notes, and other obligations for which the State has a contingent liability or moral obligation

## ***CDAAC RECOMMENDATION AND COMMENTS***

- More limited debt issuance by other states, including our peer Triple-A rated states, has resulted in a weakening of Vermont's debt ratio comparative ratings
- This is the second year of the 2022-2023 biennium and the Committee has affirmed the two-year debt recommendation of \$123,180,000
- This is the same level as the previous recommendation and represents a reduction of 23% since the 2014-15 recommendation
- Need to remain disciplined in making actuarially determined employer contributions (ADEC)
- Continued support reserve increases: The rating agencies are recognizing the need for higher levels of reserves

## ***BOND RATINGS OF NEW ENGLAND STATES***

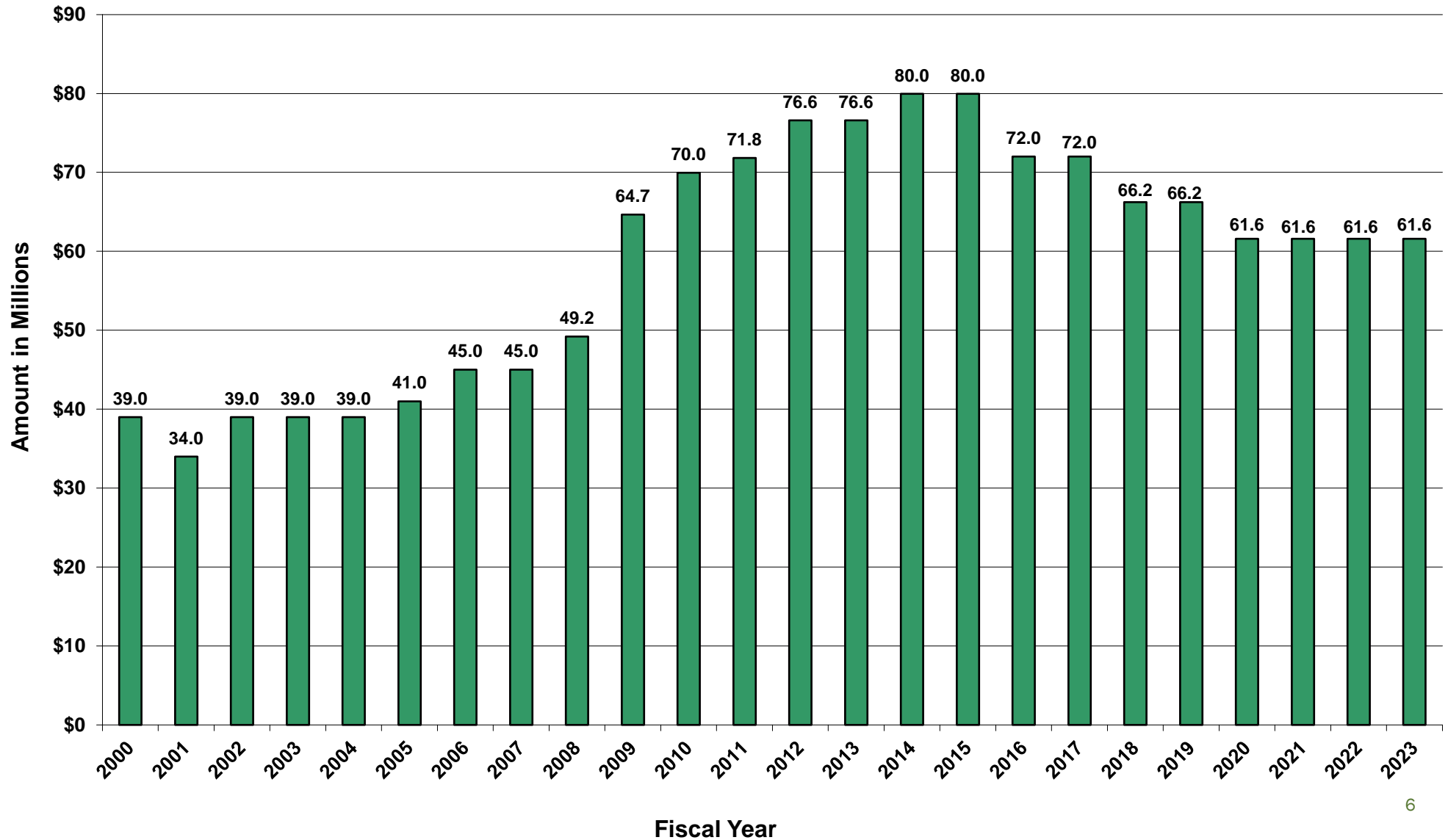
As of January 2021, Vermont has the highest overall credit ratings of the New England states. The major credit rating agencies are Moody's Investors Service, S&P Global Ratings, and Fitch Ratings.

In April 2021, Moody's and Fitch affirmed Vermont's GO rating with Stable outlook. S&P affirmed the rating but with Negative outlook.

State	Moody's	S&P	Fitch
Vermont	Aa1	AA+	AA+
Connecticut	Aa3	A+	AA-
Maine	Aa2	AA	AA
Massachusetts	Aa1	AA	AA+
New Hampshire	Aa1	AA	AA+
Rhode Island	Aa2	AA	AA

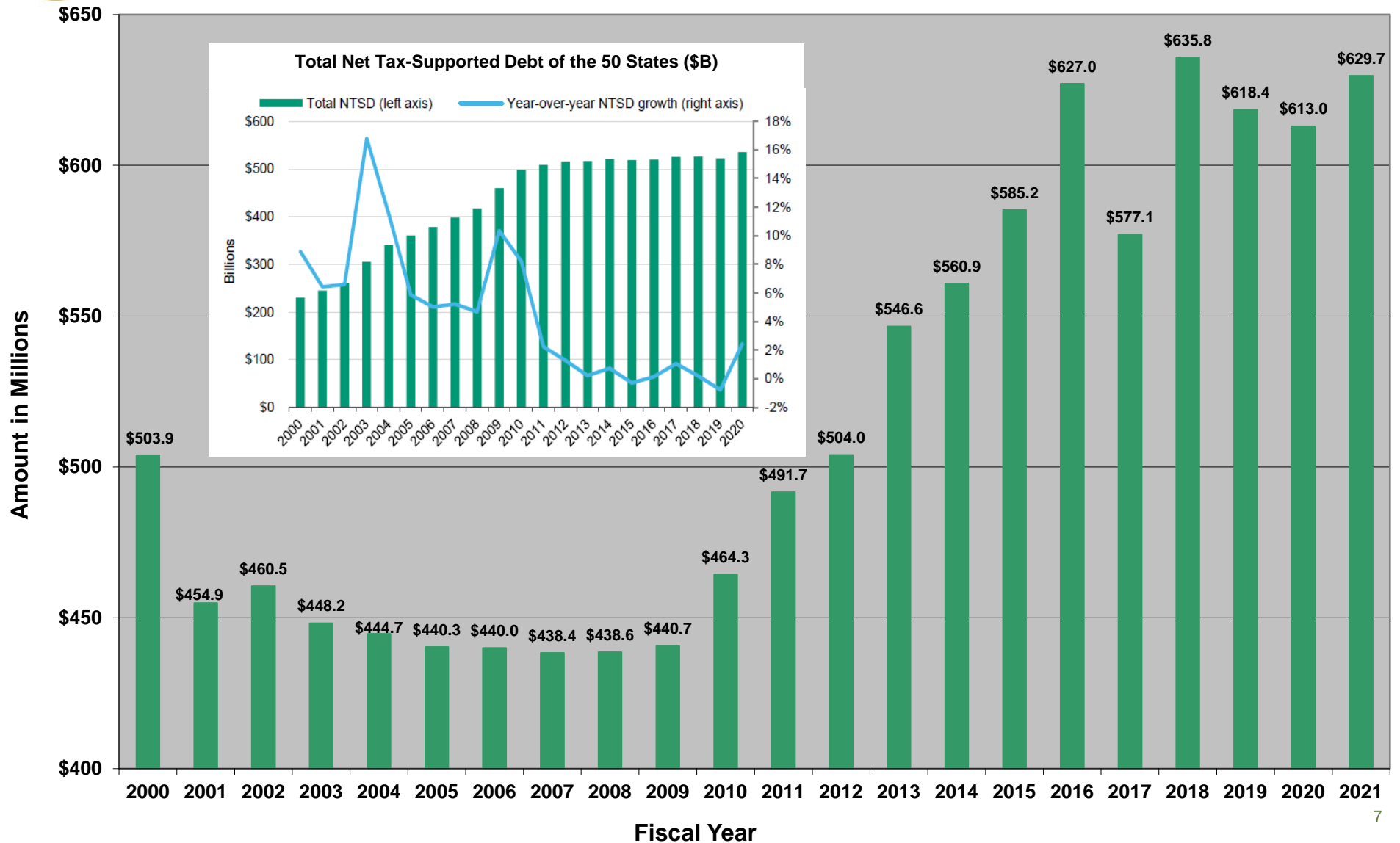


## State of Vermont - General Obligation (G.O.) Debt Authorizations FY2000-FY2023 (\$ millions)



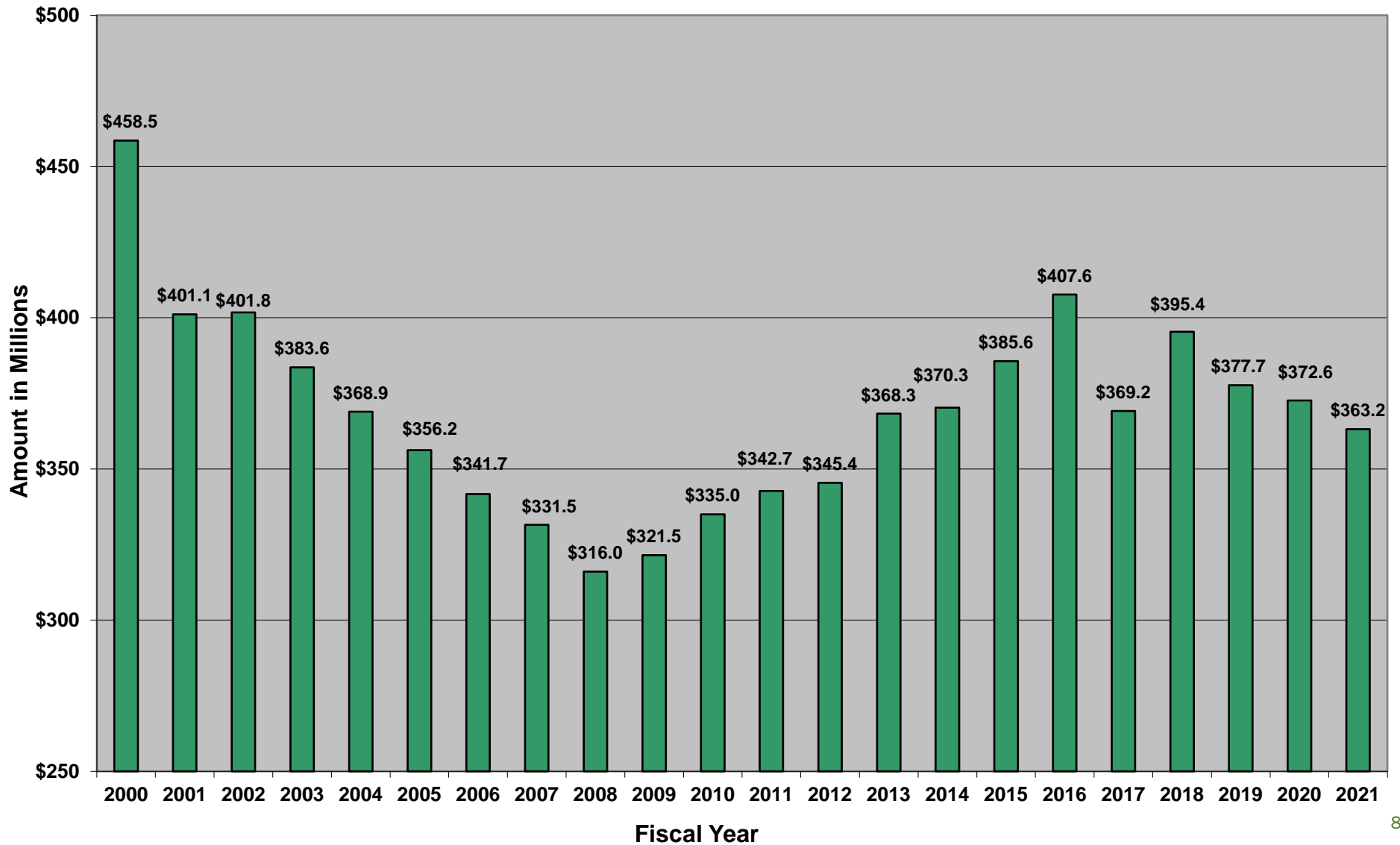


## State of Vermont G.O. Debt Outstanding, FY2000-FY2021 vs. National Trend





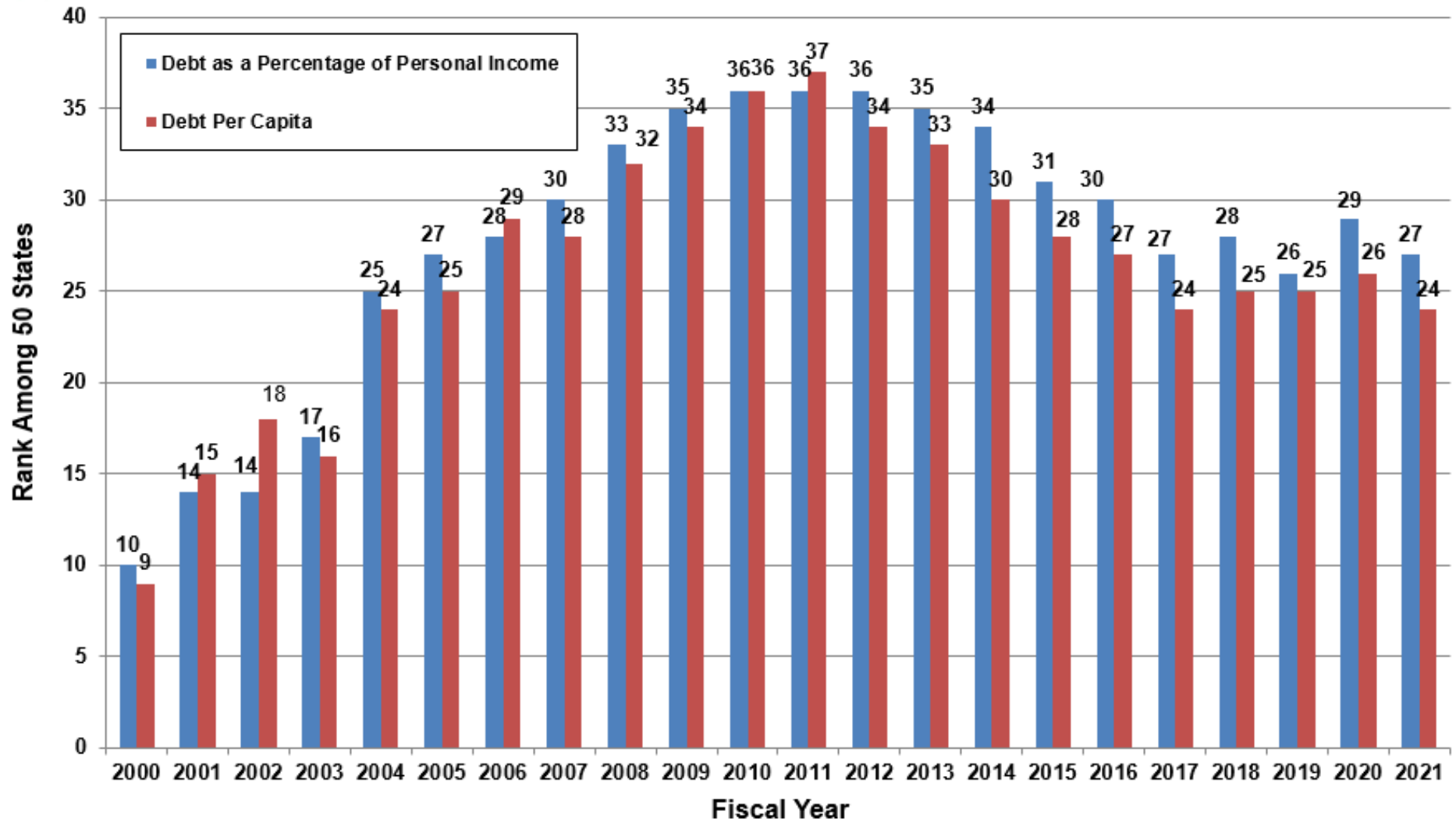
State of Vermont  
G.O. Debt Outstanding, FY2000-FY2021  
Adjusted for Inflation





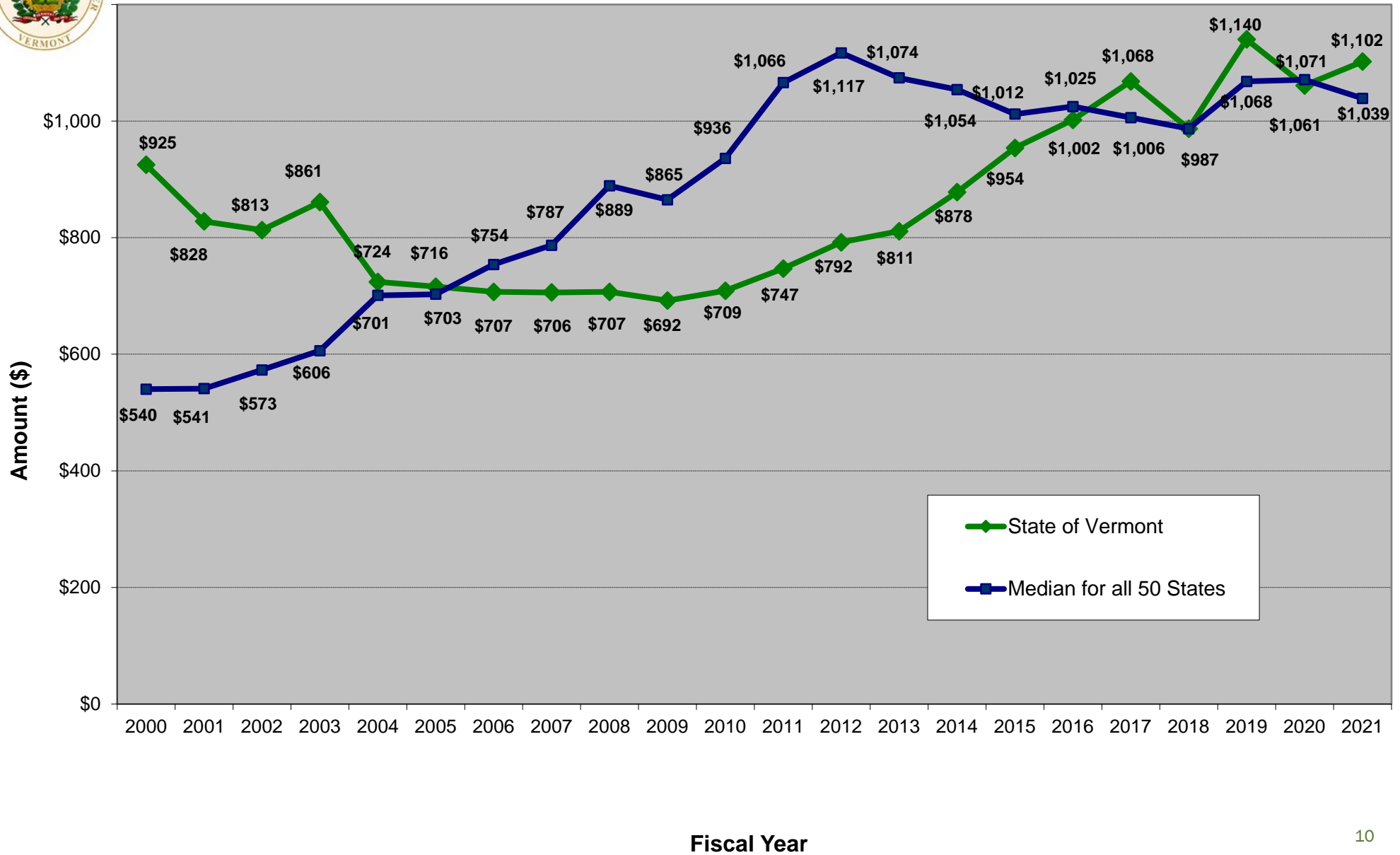


## State of Vermont Historical State Debt Rankings



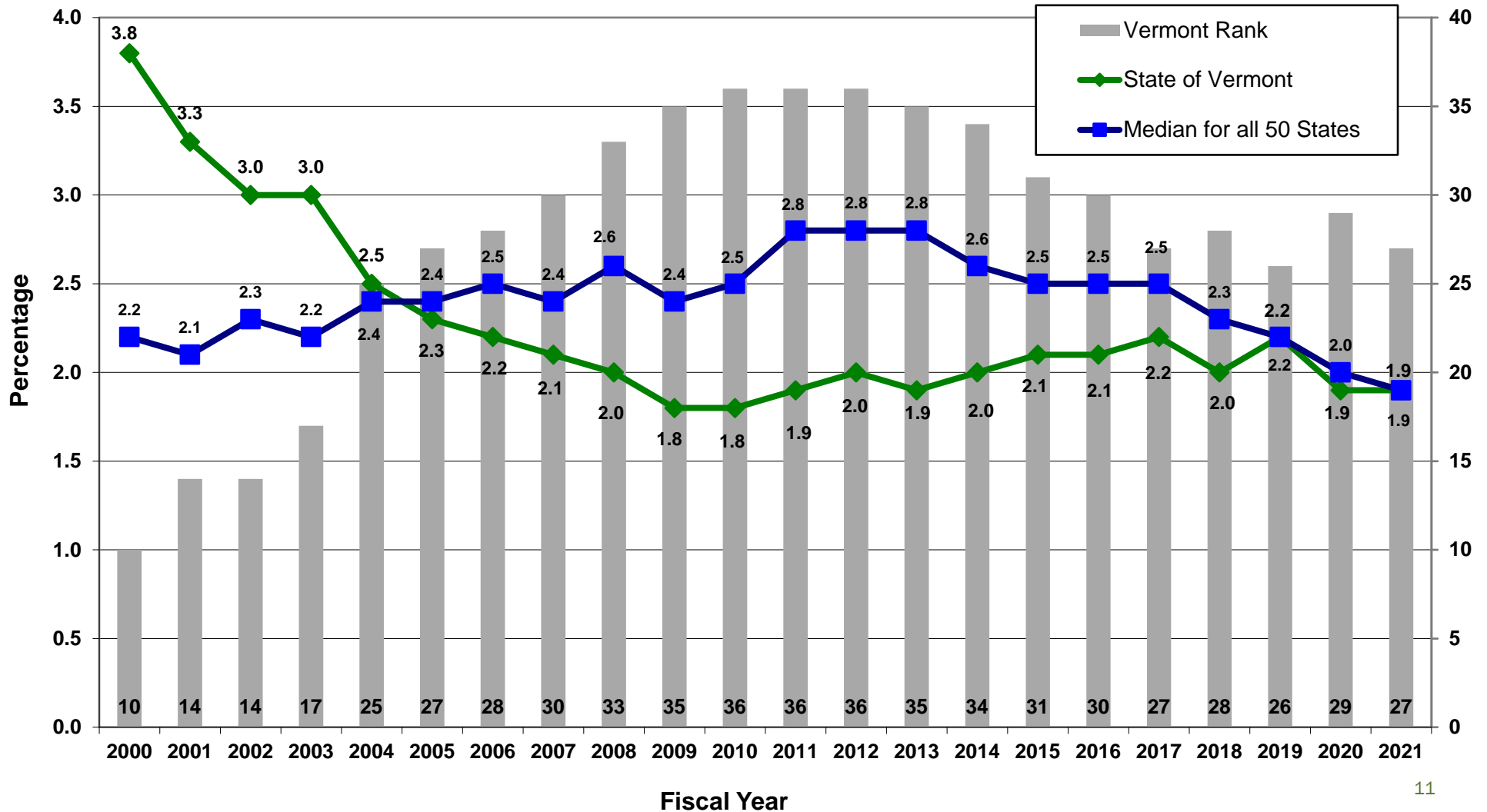


## State of Vermont Net Tax Supported Debt Per Capita





## State of Vermont Net Tax Supported Debt as a Percent of Personal Income



## CREDIT RATING RELATED PRIORITIES

- **Pension Funding:** Continue 100% funding of the annual required contributions (“ARCs”), now called ADECs, of the Vermont State Employees’ and State Teachers’ Retirement Systems pension funds
- **Reserves:** Continue to maintain budget stabilization reserves, and build the General Fund Balance Reserve (or “rainy day reserve”) incrementally and over time
- **Debt Recommendation:** Continue unbroken record of adopting the Capital Debt Affordability Advisory Committee’s (CDAAC) biennium recommendation of \$123.18 million net tax-supported debt