

Moody's gives highest bond rating to Vermont

Published: Tuesday, February 6, 2007

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MONTPELIER -- Years of careful fiscal management have paid off for the state of Vermont.

Moody's Investors Service gave its top bond rating to the state Monday, a move that could save state government millions of dollars on future borrowings.

It's the first time Vermont's bonds were rated Aaa by Moody's since 1972, to Gov. Jim Douglas and state Treasurer Jeb Spaulding said. Moody's boosted the rating from its second-best, Aa1.

Two other investment houses -- Fitch and Standard & Poor's -- also announced bond ratings Monday for \$30 million in bonds the state plans to sell this month. Both kept Vermont at their second-best rating, AA+.

Spaulding said the rating upgrade by Moody could save the state between \$250,000 and \$1 million a year in interest, depending on interest rates. He and Douglas vowed to continue working to persuade the other two rating houses to give Vermont their top grade.

Douglas, a Republican, and Spaulding, a Democrat, said leaders of both parties deserved credit for the achievement. Spaulding cited the work of former state Auditor of Accounts Randy Brock in producing annual financial statements in a timely fashion. He and Douglas cited the fiscal prudence of former Govs. Richard Snelling and Howard Dean.

Douglas said he appreciated the fact that "legislators have been very, very diligent over this time," in keeping Vermont's books in balance during the years-long effort to boost the state's credit rating.

Moody's analyst Nicole Johnson credited Vermont's "strong history of financial management," efforts to reduce its debt and "a stable, diversifying economy that lacks the kind of volatility that can make revenues swing dramatically up or down and increase financial uncertainty."

Douglas and Spaulding cautioned that the state could not rest on its laurels. It would be bad to slip, Spaulding said, because, "It takes a long time to get the (bond rating) agencies to recognize the characteristics that you have that will allow them to give you an upgrade."

A key part of the effort to impress Moody's was to convince the firm about the strength of Vermont's economy. State officials had Moody's representatives meet with legislators and tour businesses including IBM in Essex Junction and Green Mountain Coffee Roasters in Waterbury as part of their campaign.

Douglas and Spaulding have long played roles in the efforts to get Vermont's finances on track. Douglas was treasurer for eight years before being elected governor; Spaulding was a longtime member and chairman of the Senate Appropriations Committee.

Douglas said bond rating houses have taken a favorable view of the way Vermont deals with potential crises before they get out of hand. When the state Supreme Court ordered the Legislature 10 years ago to come up with a fairer way of funding schools, it acted quickly, passing the Act 60 and later the Act 68 school funding formulas.

"That kind of step-up-to-the-plate and deal-with-it attitude has served the state well," said House Speaker Gaye Symington, D-Jericho.