



## **Vermont now AAA, and that saves money**

February 6, 2007

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**MONTPELIER** – Vermont taxpayers will have to spend less to cover interest payments on state debt, now that Vermont's bond rating has been improved by one of the major rating agencies.

Moody's Investor Services issued a report Monday boosting the state's bond rating – already the highest in New England - to AAA, the best possible standing. State officials, including Treasurer Jeb Spaulding and Gov. James Douglas, said they hope that the remaining two agencies, which now classify the state at one step below top rating, will follow suit in the next year or two.

It was 35 years ago that Moody's downgraded the state's bond rating from AAA.

"It took another 20 years ... before we started to see some movement back in the right direction," Spaulding said.

"It's been a long 35 years," Douglas said, appearing together with Spaulding at a news conference Monday. "I have been here the whole time."

Douglas was first elected to the state House of Representatives in 1972, and has held several elected jobs since, including Treasurer.

A higher bond rating – indicating the state's strong fiscal health to bond buyers – will likely mean that the state will have to pay millions of dollars less in interest on borrowed money over the life of 20 year bonds it sells, Spaulding said. It will also mean that lower rates for the Vermont Municipal Bond Bank, through which towns borrow money.

Nicole Johnson, Moody's lead analyst on the state, said that Vermont has had relatively slow job growth, but also has slow population growth.

"Vermont, like many New England states is not a booming economy," she said. "In some ways slower, more predictable, growth may be better for some states."

It's difficult to say exactly how much money will be saved in lower interest payments, but it will likely be between \$250,000 and \$1 million a year, Spaulding said.

During times of low interest rates the difference between a high and low bond rating does not make as significant a difference as when rates are high, Spaulding said.

However, because of the volume of money involved, it can still make an impact, Johnson said.

"When you are borrowing tens of millions of dollars even a small improvement in your interest rate can save money," she said.

The state is expected to soon sell about \$45 million in bonds to cover construction of things like schools, prisons and other capital projects.

One factor which helped convince Moody's to increase the state's bond rating was the passage of a health care reform law last year, which Douglas and Democratic leaders in the Legislature agreed to support.

In part Vermont was able to do that because of its small size, Johnson said.

"They have a bipartisan willingness to work together that is hard to find in some of the state's that are larger in size," she said.

The state also weathered the recession of the early 2000s in good shape, Johnson said.

"One of Vermont's strengths was how it dealt with the recession," she said. "They were able to get back to budget balance and begin to restore reserves faster than many states."

Over the last decade the state has lowered the amount of money it owes. For instance in 1996 the state owed \$984 per capita, making it among the highest-debt states in the country by that measure. By 2006, its residents owed \$754 per person and Vermont was 29th in terms of state debt.

A variety of efforts in recent years have prepared the groundwork for the rating upgrade, including recent timely completion of the state's audited accounts, the administration and lawmakers agreeing to joint revenue predictions, the establishment and funding of reserve funds and the funding of public employee's pension funds.

"It's a reinforcement that fiscal responsibility matters, that we want to keep on this path," Speaker of the House Gaye Symington said. The state's swift action 10 years ago to reconfigure its school tax system after a court decision is the kind of responsible action that has helped Vermont's reputation, Symington said.

However Vermont will have to keep those good practices going in the future to retain its new rating, officials warned.

"There is only one place to go after achieving a triple-A rating," Douglas said.

Although the state's employment base has become more diverse, even greater movement in that direction would help the state's financial stability, Johnson said.