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State earns highest bond rating By Louis Porter

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Vermont Press Bureau

MONTPELIER – Vermont can safely borrow $54.65 million for capital projects next year, with its new status as the most reliable debtor state in New England, the board charged with overseeing debt said Tuesday.

Last year the Capital Debt Affordability Advisory Committee recommended $49.2 million in new borrowing. This year's decision by the group that it will be safe to borrow 11 percent more comes after Vermont's bond rating — that is the measure of the state's reliability as a borrower — was increased in February by Moody's Investor Services to triple-A, the highest.

That matters because when investors have more assurance they will be repaid and the state can borrow money at a lower interest rate.

And that also convinced the debt committee that it would be safe for the state to borrow more money.

Vermont has worked hard to improve its standing with investors, State Treasurer Jeb Spaulding said. At one time the state had among the highest long-term debt loads in the country on a per-person basis. Now it is among the lowest and has the best bond rating in New England.

For instance in 1996 the state had a 4.9 percent ratio of debt to personal income. That statistic has now dropped to 2.1 percent. Across all states the average is 3.2 percent.

Now that the state has dropped its overall debt it can afford "modest but meaningful" annual increases in borrowing without risking its reputation as a reliable debtor, Spaulding said.

"We have worked hard to reduce the level of total outstanding debt," Spaulding said.

"Fiscal discipline does pay off," he added. "We can increase our bonding and still be within the benchmarks we have put in place for ourselves."

And the state can do so without spending as much on interest, Spaulding said.

"When we have a higher bond rating the cost of money goes down," he said.

The money is needed to pay for everything from state buildings to school construction.

"We have a tremendous amount of pressure on our capital infrastructure," he said.

Theoretically the money could also go toward the needed upgrades to the state's roads and bridges, but generally state lawmakers and officials have decided such projects should be funded in other ways since there are so many needs for the capital money.

"We have such a high level of demand outside of the transportation area," said Spaulding.

Ultimately Gov. James Douglas will make a recommendation to the Legislature about how much money the state should borrow.

But since the debt committee was formed in 1990 to offer advice on how much to borrow no governor or general assembly has ignored its input, Spaulding said.

"I am quite confident the governor will be supportive of this increase," the treasurer said.

The state has made tremendous progress, but it would risk its improved bond rating and reputation among investors if it returned to being less responsible, Spaulding warned.

"We have to remain committed," he said.

"In the last 12 years we have done such a good job of ratcheting down our long-term debt that a modest increase in bonding authority is a manageable and responsible step to take," said Jason Gibbs, a spokesman for Douglas. "We have to keep our eye on the prize, a further reduction in the state's long-term indebtedness."

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