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Roads may see $10M boost

By Nancy Remsen, Free Press Staff Writer

MONTPELIER — Vermont can afford to borrow $64.65 million for capital projects this fall, $10 million more than originally recommended, a special financial advisory committee concluded Tuesday.

The Capital Debt Affordability Advisory Committee approved a report to the governor and legislative leaders that supported an increase in borrowing this year to accommodate more transportation projects. Next year, the panel said the state can afford a bigger increase — another $10 million for transportation and an extra $5 million for other pressing capital needs such as the backlog of school construction projects, bringing total capital borrowing to nearly $70 million.
“That’s pretty good news,” said Treasurer Jeb Spaulding, especially in a week of bad financial news. Spaulding is an ex-officio member of the advisory committee.

The unanswered question Tuesday was when the credit market might thaw. If the state tried to sell bonds today, it’s likely no one would buy — despite the state’s solid financial rating. Spaulding said some states have had to shelve bond sales.

“I’m hopeful this situation will have improved in a month,” Spaulding said. Vermont traditionally sells bonds in November or December, he explained. “We are probably able to wait until winter or spring without any hold up on capital projects.”

Although an extended credit crunch would pose problems, Spaulding said one idea he might explore would be to focus on local investors. “Vermont bonds are very attractive to Vermont investors.”

The panel concluded that increasing the state’s long-term borrowing over the next two years wouldn’t harm Vermont’s bond rating. The state has a triple-A rating from Moody’s Investor’s Service and double A-plus from Standard & Poor’s Corp. and Fitch. Higher ratings mean lower borrowing cost.

The debt affordability panel didn’t automatically conclude the state had extra borrowing capacity, despite a desire by the Douglas administration and the Legislature to borrow more to reduce the backlog of deteriorating roads and bridges and stimulate the economy. The group began its discussions in July, meeting twice before Tuesday’s 20-minute session to take a vote on its report.

Spaulding said the advisory group wasn’t going to agree to extra borrowing if it meant the state’s debt status would compare unfavorably with other states or if it would fail to hit benchmarks the panel has set for ratios such as amount of debt compared to state revenues and debt per capita.

State officials — several governors and a succession of legislative leaders — have been disciplined about controlling borrowing after the state ran up its debt in the 1970s and lost its high bond rating. It has taken decades to recover.

The state's total net tax-supported debt on June 30 was $438 million. In 1999, the total was $517.3 million.

Even as total debt has declined in recent years, the amount of new borrowing has increased. In the early part of this decade, the state's annual bonding cap was $39 million, but the limit has risen steadily since 2005.

The revised cap for the current year will be $64.65 million and next year's cap will be $69.95 million.

"It will go a long way to help with a lot of projects," said Neale Lunderville, secretary of administration and a new member of the debt affordability panel.

Bonded money pays for state building construction and repair, the state's share of school construction projects, environmental protection and cleanup projects — and now for the next two years at least — roads and bridges.

The transportation money will be borrowed for 10 years. The rest will be traditional 20-year loans.

Some of the extra transportation money was spent this summer. Lawmakers and the Douglas administration wanted to stimulate the economy, but they agreed that if the debt panel said the state couldn't increase its bonding by $10 million, the Agency of Transportation would have to delay future projects to make up for the extra money spent.

A steady downturn in state revenue over the past year has forced cuts in transportation spending, but Lunderville, who was secretary of transportation until August, said the belt-tightening didn't affect the projects earmarked for long-term financing.

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