

JEB SPAULDING
STATE TREASURER

RETIREMENT DIVISION
TEL: (802) 828-2305
FAX: (802) 828-5182



ABANDONED PROPERTY DIVISION
TEL: (802) 828-2407

ACCOUNTING DIVISION
TEL: (802) 828-2301
FAX: (802) 828-2884

STATE OF VERMONT
OFFICE OF THE STATE TREASURER

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For Immediate Release: June 26, 2003

Contact Person: Jeb Spaulding, State Treasurer, 802-828-2301

Vermont's Municipal Bond Record Best in U.S.

A study released by the Fitch Rating Agency earlier this week revealed that Vermont has the best municipal bond default record of any state nationwide. Looking back to 1979, Fitch found that Vermont was the only state to have a 0% default rate.

State Treasurer Jeb Spaulding heralded the Fitch findings by commending the enviable record of fiscal prudence displayed by Vermont's state, local, and agency policymakers over the years. He declared, "This report is just another unambiguous illustration that Vermont has its financial house in order."

Fitch, one of the big three credit rating agencies, found that there were 2,339 municipal defaults in the U.S. over the 23-year period from 1979 to 2002. Although the amount of monies impacted by municipal defaults approached \$33 billion, the cumulative default rate was still quite low, at less than 1%. Fitch noted that the State with the highest rate of default during the study period was West Virginia, with a default rate of 3.04%.

Spaulding attributed Vermont's unblemished default record to two primary factors: "A tried and true Yankee fiscal discipline of our Vermont decision-makers that adheres to the edict of 'if you can't afford it, don't buy it'." Additionally, he said that State leaders had developed "prudent law on this score" by setting up the Municipal Bond Bank and other quasi-governmental agencies who oversee the issuance of municipal debt in Vermont. "The Bond Bank, for example, has a stellar record over the past three decades and has served to ensure that local governments truly have their act together before incurring costly long-term debt on behalf of their citizens," Spaulding said. The Municipal Bond Bank board is comprised of the State Treasurer and four gubernatorial appointees.

Fitch and other rating agencies look at a number of factors, including default information, to establish credit ratings for states and municipalities throughout the country. The higher the rating, the lower the interest costs charged to borrow money. The State of Vermont has the highest credit rating of any New England state (Fitch, AA+). Fitch rates the Municipal Bond Bank at AA+.

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