



STATE OF VERMONT
OFFICE OF THE STATE TREASURER

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Vermont Debt Rankings Improve Significantly

Montpelier – State Treasurer Jeb Spaulding says that Vermont’s debt profile has improved significantly in Fiscal Year 2004, especially compared to other states.

A recently released report from Moody’s Investors Service shows Vermont with the largest ranking improvement in the country for tax-supported debt per capita and tax-supported debt as a percent of personal income, two key indicators considered by rating agencies in determining a state’s credit rating. Vermont improved from the 16th highest state in debt per capita in FY 03 to 24th in FY 04. In debt as a percentage of personal income, Vermont improved from the 17th highest to the 25th.

“I am delighted to see this level of improvement, not only on a relative basis to other states, but also on an absolute basis. Our State debt per capita dropped about \$140 this year according to the Moody’s Report and the total amount of State debt will decline by over \$4 million total in this fiscal year,” Spaulding stated.

According to the Moody’s Report, “While debt burden is only one among numerous factors that determine a credit rating, it plays a significant role in Moody’s determination of credit quality.”

Treasurer Spaulding explained that the advantage Vermont receives from its favorable credit rating is lower interest rates when it borrows new money or refinances outstanding debt. For example, last winter the Treasurer’s Office refinanced nearly a third of the State’s long-term debt, providing savings of approximately \$7 million over the course of the next 14 years.

“Vermont’s reputation in the financial markets allowed us to attain extremely attractive rates on that deal and the savings in annual debt service will average about \$500,000 per year over the next several years. That’s money the Legislature can use to help seniors, fix roads, or lower taxes,” Spaulding said.

In affirming Vermont’s AA+ rating last winter, Standard and Poor’s credit analyst Geoffrey Buswick said, “The State’s strong financial management, conservative debt and budgeting practices, diverse economy, and favorable debt position, coupled with a trend of more debt being retired than issued, are credit factors that support the high investment-grade rating.”

While Vermont already enjoys the best composite bond rating of any New England State, AA+ or Aa1 by all three of the major rating agencies, Spaulding says his goal is for Vermont to join nine other states in the country with AAA ratings. “This year’s progress in the Moody’s rankings indicates to me that such a goal is attainable, assuming a continued commitment to careful financial and debt management, and broadening Vermont’s economy,” he stated.

The full *Moody’s 2004 State Debt Medians Report* can be found at www.vermonttreasurer.gov.