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STATE OF VERMONT
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State Debt Committee Recommends 10% Increase in Bonding for Next Year

RELEASE: October 6, 2004. For More Information, call State Treasurer Jeb Spaulding at 802-828-1452

Montpelier – State Treasurer Jeb Spaulding and the committee charged with recommending how much money the State should borrow for capital projects through long-term bonds have recommended raising the state's annual bonding level nearly 10% to $45 million in the next fiscal year. That would be up from $41 million this year.

"The Capital Debt Affordability Advisory Committee realizes that Vermont has a great deal of demand for capital projects and we believe that at a $45 million level of new bonding, Vermont will be effectively balancing the need to invest in state infrastructure with protecting our improved State debt ratios," Spaulding stated.

Spaulding explained that borrowing at a $45 million level next year will allow Vermont to maintain its debt as a percent of personal income ratio, a key indicator for credit rating agencies, below the national median, something the state has worked hard to accomplish through several years of level or reduced bonding authorizations.

"It is gratifying to be able to demonstrate that all those years of discipline are paying off and that we can now support a moderate increase in bonding while maintaining our favorable debt profile," he stated.

The Capital Debt Affordability Advisory Committee (CDAAC), chaired by the State Treasurer, was created by the Legislature in 1990 to annually recommend the maximum amount of money that should be borrowed by the State through long-term general obligation bonds. At that time, Vermont had one of the highest levels of State debt in the country; the Legislature created the CDAAC to provide discipline to the annual debt issuance process in hopes of improving the State's debt profile. The Legislature and Governor have traditionally adhered to the Committee's recommendation, and Vermont's debt profile and reputation have improved substantially in recent years.

Vermont now enjoys the best composite bond rating of any New England State. A recently released report from Moody's Investors Service for last year shows Vermont with the largest improvement in the country for tax-supported debt per capita and tax-supported debt as a percent of personal income, both key indicators considered by rating agencies in determining a state's credit rating.

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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 offering, 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.

For a complete copy of the Capital Debt Affordability Advisory Committee Report and Recommendation, go to
http://www.vermonttreasurer.gov/documents/misc/debtAffordability2004.pdf**.**

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