State Debt Committee Recommends $45 Million in Bonding for Next Year

FOR RELEASE: October 3, 2005.
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Montpelier – State Treasurer Jeb Spaulding, Chair of the Capital Debt Affordability Advisory Committee, announced today that the Committee has recommended $45 million in new bonding for the next fiscal year, the same amount authorized for the current year. This recommendation follows bond authorization increases of $2 million for fiscal year 2005 and $4 million for fiscal year 2006.

According to Spaulding, in arriving at this recommendation, the Committee considered State infrastructure financing needs and projected levels of tax supported debt, as well as key financial ratios that are important to bond rating agencies and investors.

"I believe that the FY 2007 recommended authorization is consistent with our policy of trying to provide important capital contributions to the State's physical infrastructure requirements within a framework of acceptable debt affordability. Weighing all of the relevant factors, we are fortunate to be able to maintain this elevated level of bond issuance and at the same time continue our disciplined approach to steady improvements in the State's overall credit posture," Spaulding explained.

Spaulding noted that recommended debt issuance amounts were level at $39 million or less per year from 1999 through 2004. A $45 million issuance amount for next year will mean that from FY 2005 through FY 2007, $14 million of additional funds will be available for State capital projects versus what would have occurred with level $39 million issuance amounts.

The Capital Debt Affordability Advisory Committee (CDAAC) 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 bond ratings of any New England State. A recently released report from Moody's Investors Service for last year shows Vermont with continued improvement in its 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.

Last year the Committee adopted higher benchmarks for key debt indicators and now compares Vermont's debt profile against the highest rated, triple-A, states. These benchmarks call for the State to achieve and maintain ratios, including debt per capita and debt as a percent of personal income, at the five-year mean and median levels for triple-A rated States.

"I am pleased to report that we already compare quite favorably and with continued discipline we can reach all of our triple-A benchmarks within the next few years. This puts Vermont in a stronger position to maintain or possibly improve its current high credit ratings," said Spaulding.

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.

"Vermont's reputation in the financial markets allows us to obtain extremely attractive interest rates when we borrow money, which allows us to spend literally millions more to help seniors, fix roads, or to lower taxes, as opposed to paying interest to investors," Spaulding said.

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

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