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NEWS RELEASE
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State Treasurer Cautions U.S. Debt Ceiling Impasse Could Impact Vermont's Credit Rating

MONTPELIER, Vt.—While federal negotiations continue on raising the U.S. debt ceiling, Vermont's State Treasurer is cautioning that the seeming impasse could negatively impact Vermont's hard-earned Triple-A bond credit rating.

"Yesterday, we learned from Moody's Investor Services that even the highest-rated states, including Vermont, would have their ratings reviewed next week in light of the continued U.S. debt ceiling debate," said State Treasurer Beth Pearce. "However, I'm confident Vermont's track record of fiscal responsibility will serve us well in any rating review. Vermont has the highest credit rating in New England, one of the highest ratings in the country, a strong cash position and healthy reserves."

Pearce said such disappointing news concerns her because the State's high bond rating enables Vermont to borrow funds for critical infrastructure needs at very low rates and save taxpayers millions of dollars in interest payments. On July 13, Moody's placed the U.S. government's debt ratings on review for possible downgrade. Moody's informed the Treasurer's Office that it also was concerned that states would be negatively impacted by disruptions caused by the failure to raise the U.S. debt ceiling.

State and federal governments sell bonds to investors to borrow money to make investments in areas such as public infrastructure. In Vermont, money raised by a bond sale funds a wide range of capital purposes, including State building construction and maintenance, health and public safety, and pollution control projects. The higher such bonds are rated, the more creditworthy a rating agency evaluates the bond issuer to be. Vermont bonds are rated Triple-A by Moody's and Fitch Ratings and Double-A+ by the Standard & Poor's Ratings Service.

"The debate in Washington is a painful reminder that even though Vermont is fiscally sound and we are responsibly managing our finances through this economic downturn, we also are affected by national public policy decisions. It would be regrettable if all of the hard work and sacrifice that State government, employees and taxpayers have made to earn Vermont's excellent ratings is put at risk due to events beyond our control," said Pearce.

Vermont's next general obligation bond sale is not scheduled until mid-October and Pearce said the State has sufficient cash balances and receipts to delay that sale even further if necessary.

"We are fortunate that we can get through any short- or even medium-term bond market disruption," explained Pearce. "Many states are not in such an advantageous position. If a resolution to the debt ceiling issue is not forthcoming, debt markets will be volatile. States and municipalities with lower credit ratings may have difficulty accessing the market at affordable interest rates, if at all. I remain hopeful, however, that a resolution will take place before the deadline."

The Treasurer's Office has worked closely with State officials to review rating agency concerns and to develop contingency plans. Vermont has sufficient liquid cash reserves to manage delays in receipt of federal funds, and all of its existing debt is fixed rate and long term, which protects it from both rising interest rates and "rollover" risk.