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STATE OF VERMONT
OFFICE OF THE STATE TREASURER

August 15, 2012

Dear Bloomberg News:

I'm writing in appreciation of Bloomberg's recent attention to the role of bonding in allowing state and municipal governments to address the fiscal demands resulting from natural disasters. I would like to provide additional context to the story, "Vermont Is Fastest-Growing Issuer on Irene Repairs: Muni Credit." Vermont issuers sold approximately \$492 million in municipal bonds from January 1 to August 3, 2012. While Vermont has faced challenges related to Irene, we see a different impetus for the increase in bond issuance—saving taxpayers money.

I'd like to point out that almost two-thirds of the bonds issued, \$314 million, were for the refinancing of existing debt by state and municipal governments and various state authorities and educational institutions. The reason? Record-low interest rates allowed bond issuers to reap financial benefits for taxpayers and save millions of dollars in interest costs. It's similar to refinancing a home mortgage to take advantage of lower interest rates. There is no new net debt created, it is just the replacement of older, higher-interest-rate obligations. For example, a March 6 sale of \$69 million of general obligation refunding bonds saved the State of Vermont \$5.4 million in interest over the life of the bonds. On August 1, the Vermont Municipal Bond Bank sold \$26 million in refinancing bonds, saving \$2.9 million for the cities and towns which originally issued the bonds.

I also note that the State of Vermont delayed its 2011 bond sale as a result of Tropical Storm Irene. These bonds had been planned for issuance in October 2011, but were sold in March 2012 instead. The state sold \$132 million of bonds, of which \$69 million were for bond refinancing and the remaining \$63 million comprised postponed issuance. If you subtract the \$63 million of postponed issuance and the \$314 million bond refinancing from the \$492 million, the result is \$115 million of net new bond issuance.

Vermont is very proud of our prudent approach to government finances. While a natural disaster certainly presents challenges for our state that we must respond to, our history of responsible fiscal management has served us well in addressing these costs in a number of ways—not just by incurring new debt. I want to thank our federal, state and local partners for working quickly and efficiently to address the financial challenges created by Tropical Storm Irene. Such partnerships are one positive legacy from the storm and are consistent with Vermont values.

Sincerely,

A handwritten signature in black ink that reads "Elizabeth Pearce".

Beth Pearce
Vermont State Treasurer