# Vermont State Treasurer 2023 Annual Report

Mike Pieciak, Vermont State Treasurer

*January 15, 2024*

# INTRODUCTION

*To Governor Philip B. Scott, the members of the Vermont House and Senate, and the people of Vermont:*

It is a great honor to submit my first annual report as Vermont State Treasurer. I thank you all for your partnership and support, and for the opportunity to serve Vermont in this role.

When I took office in early January last year, I knew that I stood on the shoulders of a giant: Beth Pearce. Treasurer Pearce left behind a legacy of fiscal prudence and diligent management, along with a lean and high-functioning office of deeply knowledgeable professionals dedicated to public service. Even in retirement, she continues to serve, and was recently honored with an appointment to the Financial Accounting Foundation's Board of Trustees.

It has been a true pleasure to continue Treasurer Pearce's fiscally conservative legacy and to introduce new initiatives as well. A real sense of public service pervades the Treasurer's Office, and I am grateful every day for the opportunity to work with this group of professionals.

That spirit of service was so evident this year when, on July 11, our office was rendered unusable by the flood. We quickly transitioned to a hybrid approach, where certain core activities moved to our pre-planned emergency facility in Barre and then to a longer-term office suite in Waterbury. Despite the sudden displacement during one of our busiest times of year, our team met all of its obligations without fail. It was and remains a great inspiration to me to see the good humor and professionalism they displayed.

I view this report as an opportunity to communicate to the Legislature and Administration, and also to the public. Accordingly, I am highlighting several of our Office's central efforts and attempting to do so in a straightforward and accessible way, with links to further detail given throughout. We have also submitted separate reports on many of these topics, and others, which are linked where applicable.

I hope you won't hesitate to reach out to me or my team at any time for further detail on anything in this Report or to discuss these matters or any others.

All my best,

Mike Pieciak
Vermont State Treasurer

# KEY PROGRAM SUMMARIES

Below are brief summary updates on several key initiatives we have undertaken in the past year. As noted, more detail about each of these initiatives is available either in a separate report or by reaching out to us.

## VT Saves – Retirement Savings

A major policy initiative, passed with unanimous tri-partisan legislative support last year, VT Saves will bring an automatic-enrollment IRA program to tens of thousands of Vermonters who currently lack access to convenient workplace retirement savings. As we currently do to deliver the ABLE program, we will seek a partnership with another state or states to stand up this program at minimal cost to savers and to Vermont. We have already hired an excellent Executive Director: longtime legislative counsel Rebecca ("Becky") Wasserman, who also has a background in financial services. Based on Ms. Wasserman's work to date, we believe we can roll out the program sooner than required. Our detailed annual report about VT Saves was submitted today and is available here.

## Local Investment – 10% for Vermont

Under existing law, the Treasurer has authority to lend up to 10% of the State's average daily cash balance to support economic development in the state. The amount lent, however, had not been updated to reflect a more than five-fold increase in the state's cash balances since 2020. So, in early 2023 I asked our CFO and his team to re-examine our capacity. The team and I arrived at a higher, but still conservative, new capacity of $100 million for the credit facility. After consulting with the members of the Local Investment Advisory Committee, I decided to focus our efforts on housing and climate initiatives, and solicited applications in the summer. The first round of lending occurred in the fall, with $55 million lent to three entities to support much-needed housing projects across the state in the wake of the summer floods. An additional $15 million provided interest-rate relief to municipalities forced to borrow in the short-term commercial market for flood recovery.

## Unclaimed Property Pilot Programs

We are always looking for ways to return more of Vermonters' unclaimed property. This fall we piloted a program, in cooperation with the Tax Department, to automatically return property to Vermonters whose addresses we verify against Tax Department records. Our initial phase of the pilot returned $71,803.30 to over 300 Vermonters. We plan to expand the program and make it a fixture of our unclaimed property program. Currently, we anticipate working with the Tax Department in the early summer each year, when their address information is "freshest," to return money to Vermonters in this way.

We are also piloting a similar program for corporations and non-profit organizations, with the help of Secretary of State Sarah Copeland Hanzas and her Corporations Division team. Using their database, we hope to be able to reliably match existing corporate names and addresses with properties in our database and return property automatically. As with the Tax Department program, we aim to make this at least an annual process.

# Flood Response – Aid to Municipalities

When Vermont suffered catastrophic flooding in early July, we knew that municipalities across the state would respond, and that the response would place huge demands on their balance sheets. We worked quickly with the Tax Department to provide almost $10 million in advance quarterly PILOT and hold-harmless payments to over 50 flood-impacted municipalities. The payments were issued within weeks of the floods. As noted above, we also provided interest-rate relief through the LIAC program, working with the Bond Bank.

# Rating Agency Visits & Debt Management

The three major rating agencies visited Vermont in late July, in advance of our planned bond offering in August. All three agencies (Moody's, S&P Global, and Fitch) reaffirmed Vermont's bond rating at the second highest level an entity can receive. Vermont remains one of the highest-rated states in New England and, as a result, enjoys substantially lower borrowing costs for capital projects. This bond issuance was for a relatively modest par value of $62.765 million, in keeping with the Capital Debt Affordability Advisory Commission's two-year recommendation of $108 million in bonding.

Agencies continue to highlight familiar headwinds – e.g. Vermont's aging demographics and capital infrastructure – but also noted positive progress in pension funding, in-migration, and other areas. My office will continue to monitor these matters and work to improve Vermont's standing.

# Key Upcoming Initiative: Baby Bonds (H. 769)

This session, my central legislative initiative, like the VT Saves program, is directed at increasing underserved Vermonters' financial security and combating generational poverty. The program as proposed will deposit $3,200 in trust for every baby whose birth is covered by Dr. Dynasaur (approximately 40% of Vermont births). The Treasurer's Office will invest those funds, which will be available to the beneficiary upon their 18th birthday. Between ages eighteen and thirty, beneficiaries can withdraw the funds for wealth-building activities including education and job training, purchasing a home, and starting a business. We propose to fund the program using excess receipts in the unclaimed property program. Programs like this differentially benefit Vermonters of color and those in our most rural areas – over 50% of births in Essex County, for example, are covered by Dr. Dynasaur. Like VT Saves, we believe this is a low-cost, high-impact way to tangibly improve Vermonters' lives. Over 70 legislators on the House side are co-sponsoring this legislation.

# VERMONT STATE RETIREMENT SYSTEMS

Administering Vermont's public retirement systems is perhaps the Treasurer's most consequential and solemn responsibility. Our Retirement Division, headed by Tim Duggan and Nicole Weidman, serves about 50,000 active members and retirees with a staff of only 18 – a staffing ratio that is among the leanest in the nation according to the National Association of State Retirement Administrators. We are grateful for the recent approval of three new positions in the division and have filled them with capable and experienced individuals who are already serving Vermonters every day.

Healthy public pension systems are a win-win economic solution for our public sector workforce, our towns and schools, and the State. For workers, they provide a reliable monthly pension payment and lasting financial security. For public employers, pensions are a valuable recruitment and retention tool that is funded in part by taxpayers, but also to a significant extent through employee contributions and earnings on investments.

As many Vermonters know, our pension systems have faced their share of challenges. Years of underfunding and significant losses during the Great Financial Crisis of 2008-2009 put stress on the systems. However, reforms made over the past two decades have put the Systems on a solid and sustainable path.

We confirmed this progress with a great deal of actuarial work this year, including Experience Studies and Valuations for all three systems. Experience studies, which closely examine the economic and demographic assumptions we rely on, are now conducted every three years rather than every five. This will help us avoid underfunding and should reduce budget volatility. Retirement Director Duggan and Treasurer Pieciak presented the results of this work in detail to the Joint Public Pension Oversight Committee (JPPOC) in November. Their presentation materials are linked here.

Due to those reforms, 2023 marked an important milestone. Fifteen years ago, the State committed to a 30-year plan to get our Systems to full funding. This past July 1, we passed the halfway mark! The first 15 years saw substantial increases in our annual payments while at the same time experiencing a steadily decreasing funded ratio for the State and Teacher Systems. However, that trend has been reversing in the past couple years, with funded ratios continuing to rise – the State System just reached 70% funded and the Teacher System is now almost 60% funded – and annual increases in the State's payments are moderating. *See Figures 1 - 3*.

Finally, as described in more detail below and in our Office's JPPOC Presentation, the decision to fully pre-fund by 2048 other post-employment benefits ("OPEB") benefits, i.e., retiree health care benefits, is paying dividends. While the OPEB funded ratios are still low due to the early stage of prefunding, the VSTRS OPEB went from 5.3% to 8.5% funded and the VSERS OPEB from 11.6% to 13.4%. The rating agencies all cited the prefunding as a positive factor in their assessment this year.

I am acutely conscious that the State's annual investment in the pension systems is substantial. But it is important to remember that it helps us leverage significant investment returns that directly reduce costs to taxpayers. Last year alone, the State earned over $400 million in investment income thanks to the growing body of funds under management and the good work of the Vermont Pension Investment Commission.

These positive trends are years in the making, and they are a testament to the collaborative efforts of the Retirement Boards, Legislature, and key stakeholders throughout the years. Most recently in 2022, the Legislature's unanimous passage of Act 114 demonstrates that there is a broad consensus that our pension systems provide real value to the State and local governments, the public sector workforce, and the State's taxpayers. And it shows that when we invest in our System and make prudent decisions – like our new policy of prefunding retiree health benefits – we can see billions of dollars of savings.

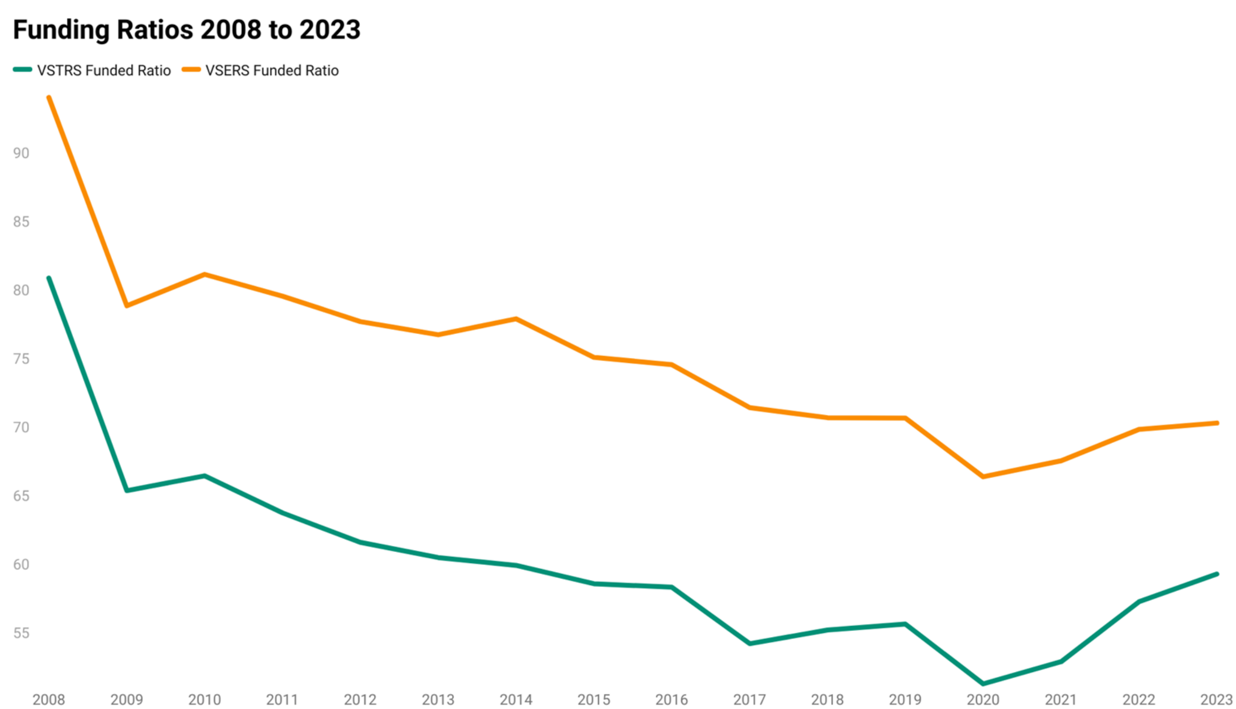


*Figure 1*

Our pension systems have a strong foundation, a sound plan for the next 15 years, and dedicated trustees keeping watch over the systems and committed to their success.

It is critical that we maintain our funding discipline in the years ahead to capitalize on the investments we have made over the last 15 years. I'm proud to report that the state of our pensions is strong, and I look forward to working with fellow Vermonters to keep them that way as we move forward.

The single most important way the Legislature, Administration, and Treasurer's Office can ensure the systems' health is to make – without fail, and in full – the actuarially determined employer contribution ("ADEC") and additional payments to both the VSTRS and VSERS systems each year. These payments, in addition to being the way we keep our promise to Vermonters, are a vital component of the state's ongoing fiscal health, as evaluated by the rating agencies. By making those payments for the past 15 years, we have "bent the curve" and are moving in the right direction. But make no mistake, we must continue our efforts. If we do so, we anticipate that we will reach full funding as planned in 2038.

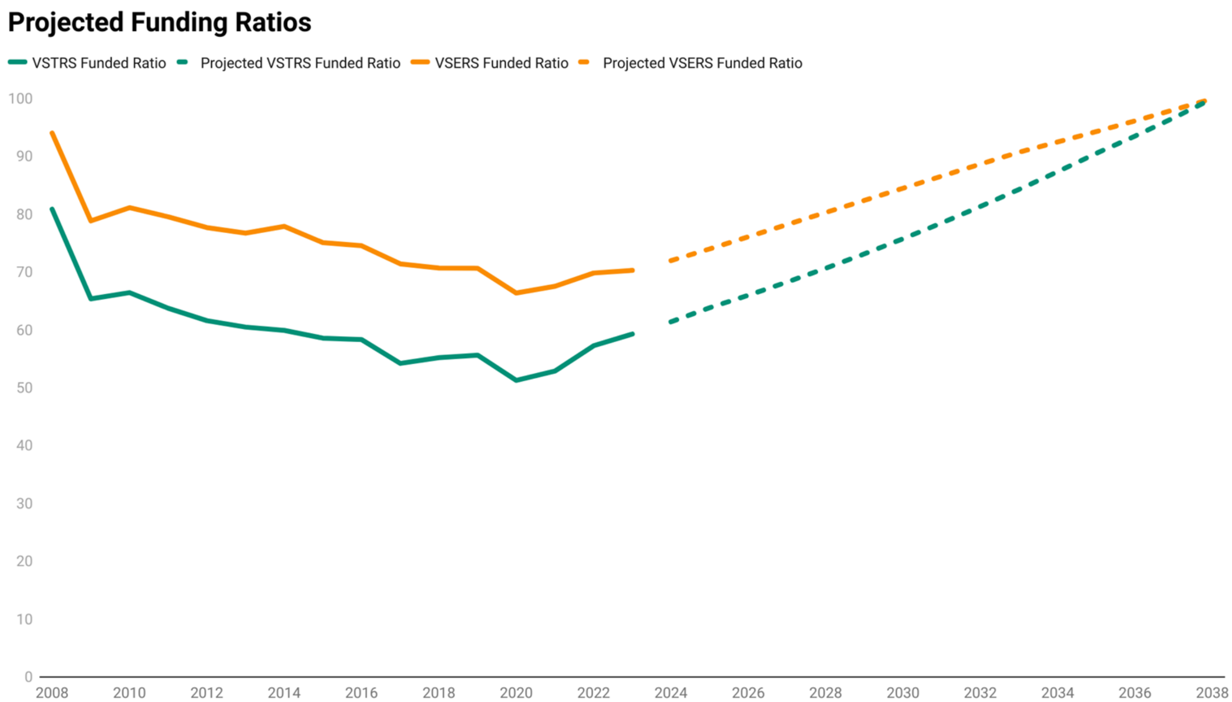


*Figure 2*

While I am the first to acknowledge that achieving full funding will continue to require sizable payments, I do want to note that when adjusted for inflation, increases in our annual pension contributions have moderated and are expected remain that way (see Figures 3 & 4), assuming that actuarial assumptions hold up. Similarly, while payments have increased in absolute terms, they have largely held steady as a percentage of payroll.

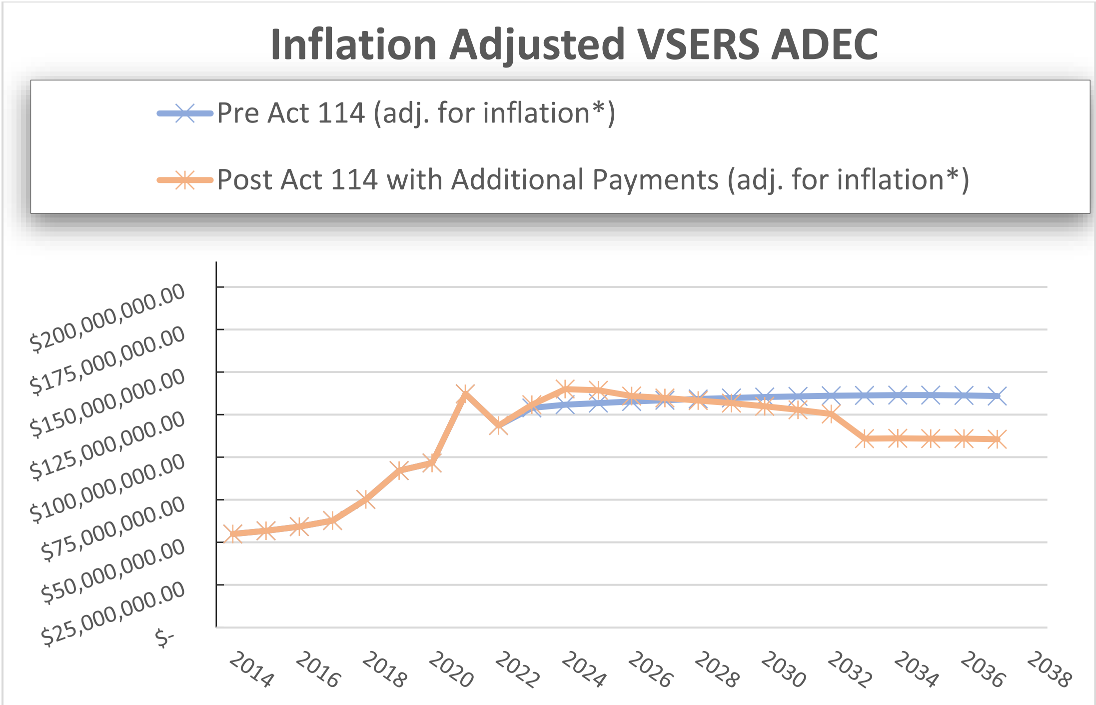


*Figure 3. Past ADECs adjusted using actual CPI-U NE; future ADECs adjusted based on assumed inflation of 2.3%*

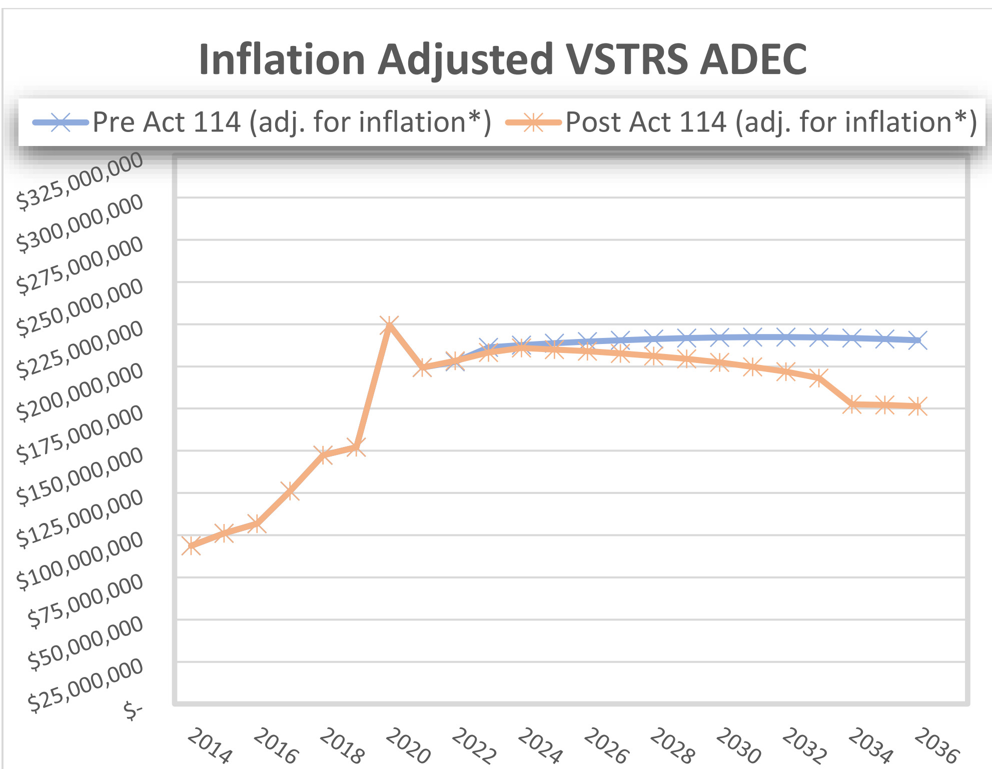


*Figure 4. Past ADECs adjusted using actual CPI-U NE; future ADECs adjusted based on assumed inflation of 2.3%*

## VSERS Group G – 20-year Retirement for Certain Front-Line Workers

This year has been a busy one for our Retirement Division as they visited every prison, parole office, and mental health facility in the State last winter to educate employees about the option to join Group G. That effort culminated in hundreds of members electing to join Group G and being transitioned without incident this past summer.  This plan will allow the State's front-line corrections and mental health workers to retire after 20 years of service, while at the same time not adding to the System's unfunded liability.  This is another example of a win-win reform contained in Act 114.

## Pensions' Impacts on Vermont's Economy

The public pension system is an important component of Vermont's economy. Monthly payments to beneficiaries averaged just over \$40.5 million per month, to over 20,000 beneficiaries, in fiscal 2023. That is almost half a *billion* dollars annually. And over 80% of these payments are to Vermont residents – roughly \$383 million annually.

As the below map illustrates, those payments affect every county in the state, with impacts most heavily concentrated in Washington and Chittenden Counties but extending across the state.  A rough approximation of county-by-county economic impact (at an average annual benefit of roughly \$20,000) includes about \$60 million each in Chittenden and Washington, about \$3 million in Essex County, \$4 million in Grand Isle County, and between \$15 and \$30 million each in the remaining counties.

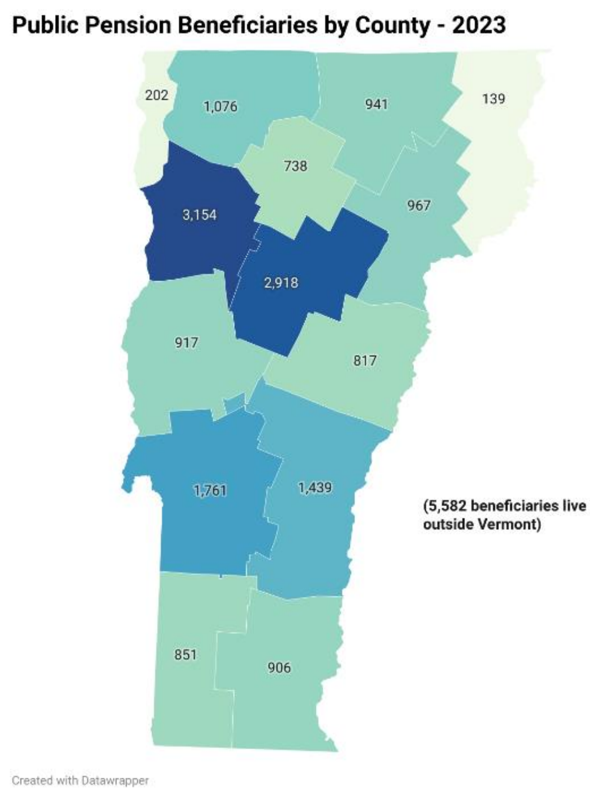


*Figure 5.*

## VMERS Rates

Unlike the VSTRS and VSERS systems, the municipal employees' retirement system does not directly receive state funds; it is funded entirely by employer and employee contributions. Therefore, while ensuring fund solvency in VMERS is just as important as for the other systems, this must be accomplished by making prudent, stepwise adjustments to contribution levels in a manner that does not unduly burden either employees or employers. This process requires a degree of coordination between the VMERS Board, which sets the employer rate, and the Legislature, which sets the employee rate.

In FY26, we will reach the end of a four-year set of contribution adjustments that, unfortunately, have not proven quite adequate to keep up with VMERS funding needs. *See* 2023 VMERS Valuation Report, at 7. The VMERS funded ratio, while still healthy at above 75% at the end of FY23, is decreasing due to the inadequate contribution levels. The funded ratio decreased by just over 2% in FY23. Accordingly, we have begun a conversation with legislators, including the Joint Public Pension Oversight Committee, the VMERS Board, and other stakeholders to determine a course forward.

While it is always painful to contemplate increasing contribution rates, it is both necessary and urgent to do so, as underfunding is a compounding problem that only worsens if ignored. We do not wish to repeat with VMERS the experience of VSERS and VSTRS, and we hope to have strong partnership in this from the Legislature, municipalities, and others to ensure that any needed changes are implemented in a way that works for municipalities and the Vermonters they employ.

## Other Post-Employment Benefits (OPEB) Investment

Until 2021, the State paid OPEB costs (primarily retiree healthcare costs) on a pay-as-you-go basis. In 2021, the Legislature formally adopted a system to pre-fund the State's OPEB needs and charged the Treasurer's Office with managing the funds. The Treasurer's Office previously managed these funds alongside other State trust funds in our general Trust Investment Account and has recently moved to managing in a manner more analogous to the way VPIC invests our pension funds. We appreciate VPIC's ongoing assistance in doing so. As the OPEB funds grow substantially each year and the balance is approximately $210 million currently, they will rapidly dwarf the other funds invested by the Treasurer.

The pre-funding plan for the OPEBs, like the pre-funding plans for the pensions themselves, require the State's commitment to sizeable expenditures each year. While the actual annual ADECs are difficult to predict in light of notoriously fickle healthcare cost trends, our actuaries have provided projections based on current expectations. In the graphs below we present the annual projected ADECs in both nominal (orange) and inflation-adjusted (blue) dollars, as the long time horizon makes the nominal numbers less meaningful. Based on the plan currently in place, and the contributions below, both VSERS and VSTRS OPEBs are projected to be fully funded by 2048. *See Figures 6 & 7*.

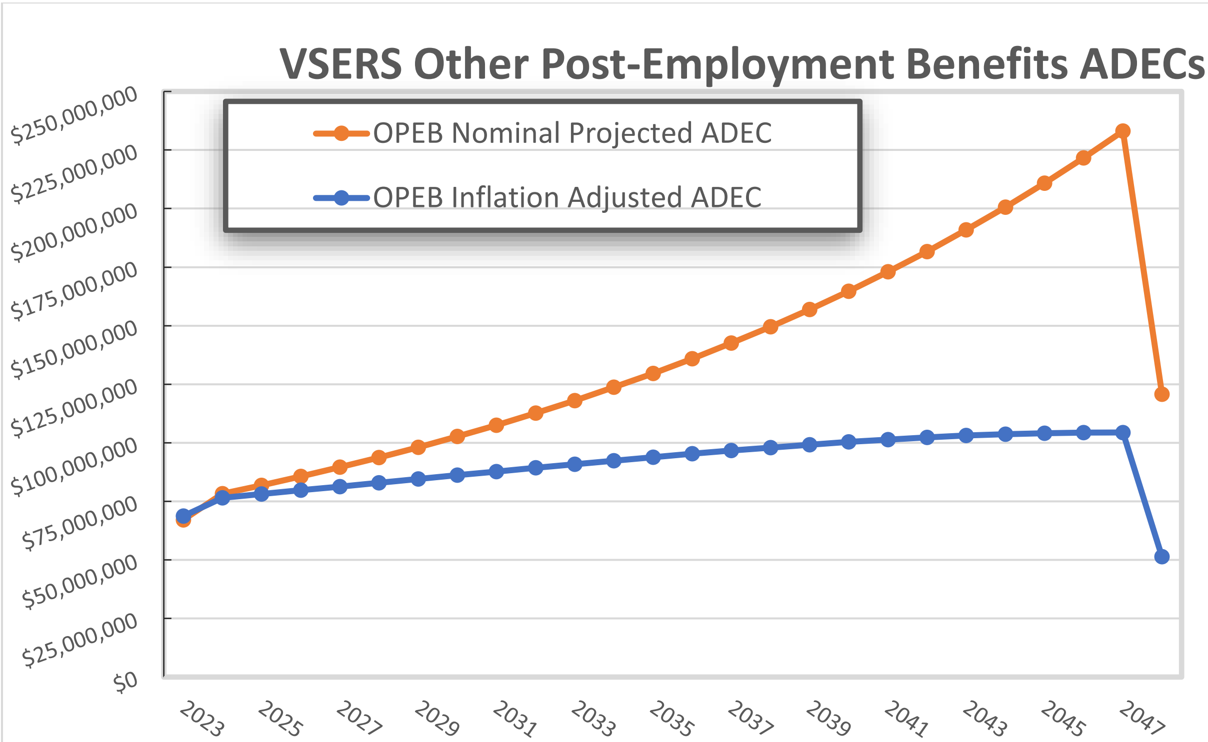


*Figure 7*

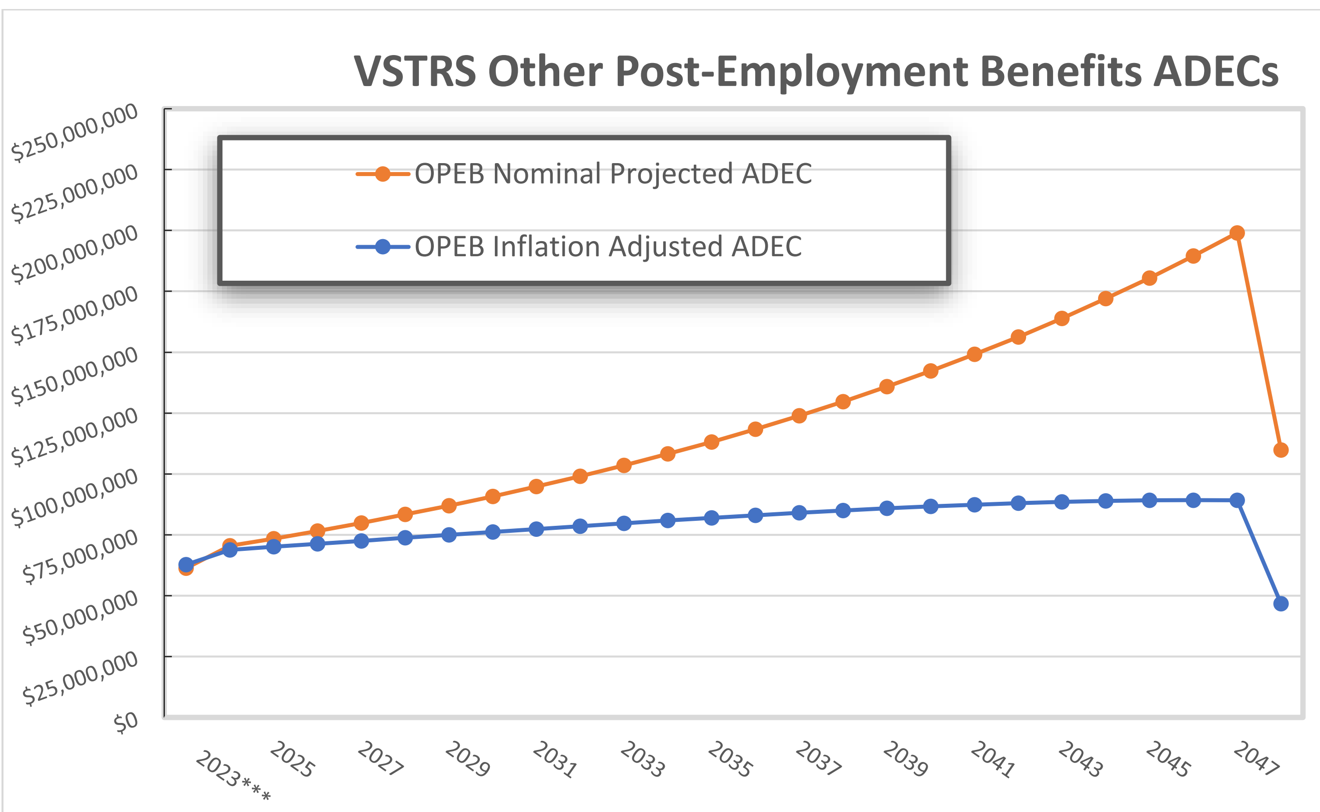


*Figure 8*

For this and for reasons of administrative simplicity, the question arose whether the Treasurer's Office remained the best state entity to invest the funds as sole fiduciary, or whether the Vermont Pension Investment Commission (VPIC) is better suited for the task.

The Legislature last session required the Treasurer's Office, in consultation with VPIC, to study that question. The Office has done so, and on the same date as submitting this report, submitted its report on this topic. In brief, we believe, and VPIC concurs, that it would likely streamline management of the funds, and better leverage existing competencies and structures, if VPIC at some time in the coming few years begins to manage the funds.

A further question that VPIC may choose to explore at a later time is whether the OPEB funds may or should be commingled with other pension funds. The Treasurer's Office takes no view on that question but notes that answering it may require providing funds to VPIC to solicit a formal opinion from the Internal Revenue Service. If VPIC were to determine that commingling is worth exploring, the Treasurer would support an appropriation for that purpose and for any other compliance-related due diligence needed.

# LOCAL INVESTMENT – 10% IN VERMONT

10 VSA § 10 empowers the Treasurer to establish credit facilities using up to 10% of the State's average daily cash balance to support economic development in the state. In executing this authority, the Treasurer is advised by the Local Investment Advisory Committee (LIAC).

One of my early projects as Treasurer was to examine the procedures and guidelines governing this program, analyze the available capacity in the program in light of changing trends in interest rates and cash balances, and establish with the LIAC a new set of priorities to guide my decision-making process.

Ultimately, with the concurrence of the Committee, I set the 10% in Vermont credit facility limit at $100 million – closer to 5% of the current cash balance but reflecting a conservative approach accounting for the upcoming spend-down of substantial federal funds currently in the cash balance. Almost a year on, I remain very comfortable with lending at this level.

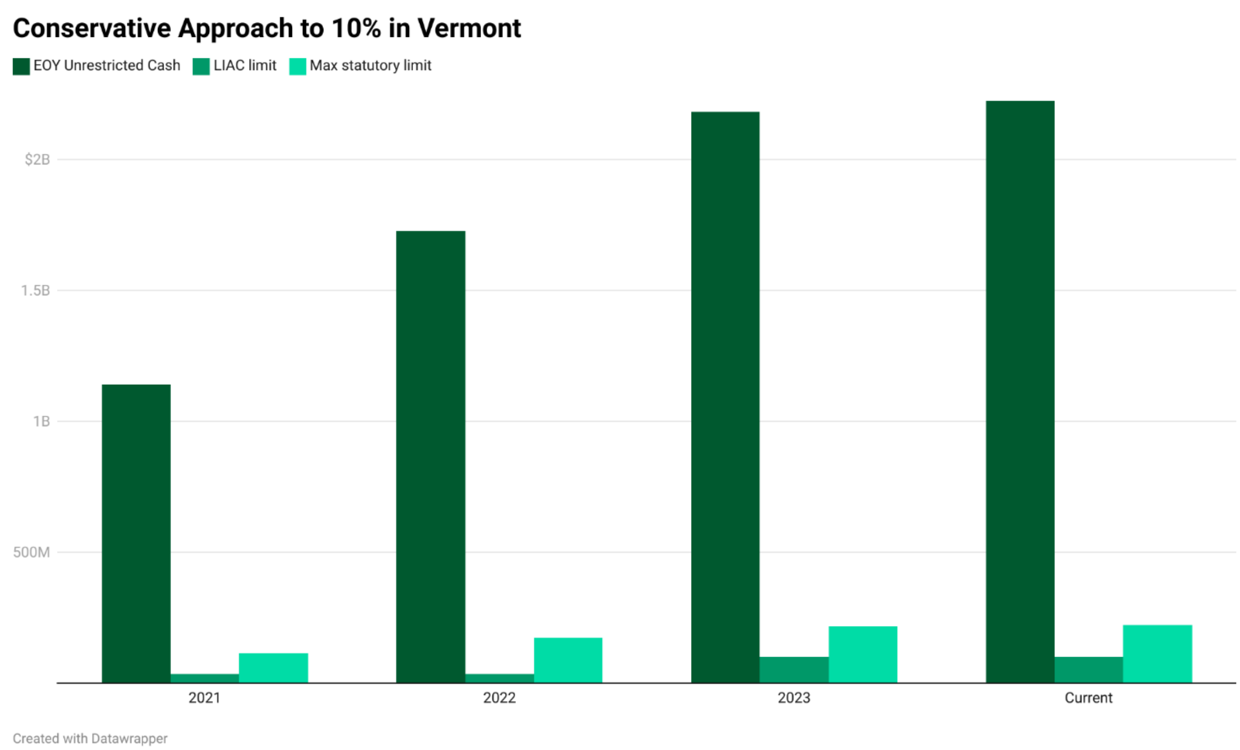


*Figure 9*

My office solicited credit proposals in spring 2023, with an eye toward the newly established priorities of housing, climate initiatives, and social equity. We received over $300 million in credit proposals and evaluated them closely. We sought partnerships with entities that we viewed as highly creditworthy and with a history of delivering real results. In the end, we decided to provide $50 million in credit to VHFA for several types of projects, which VHFA would underwrite and service itself. *See Figure 10*.

## Background on LIAC Partnership

vhfa Vermont Housing Finance Agency

| Project Type | Timeframe | Amount |
|---|---|---|
| **Traditional Affordable Housing**<br>*> First mortgages, gap loans, construction financing for rental housing that serves 60% AMI and below* | Full Pipeline | $14 million |
| **Priority Economic Development Projects**<br>*> Housing for 65-120% AMI plus broader economic impact, municipal infrastructure, employer partnerships* | Full Pipeline | $14 million |
| **Small and emerging developers of small/infill housing developments**<br>*> Support for more types of developers and housing* | Rolling Applications Until Fully Subscribed (2024-2025) | $6 million |
| **Homeownership Development**<br>*> Subsidized loans and infrastructure improvements through the Missing Middle Homeownership Program* | Full Pipeline | $5 million |
| **Manufactured Housing Communities**<br>*> Focus on cooperatively and non-profit owned* | Full Pipeline | $5 million |
| **Flood Resiliency and Sustainable Innovation**<br>*> Housing located in communities impacted by summer 2023 flooding* | Rolling Applications Until Fully Subscribed (2024-2025) | $6 million |
| **Total** | | **$50 million** |

*Figure 10*

| Project Name | Town/City | County | Sponsor | Number of Units | LIAC Request |
|---|---|---|---|---|---|
| Alice Holway Drive | Putney | Windham | Windham & Windsor and Evernorth | 25 | $850,000 |
| Hospital Heights* | Rutland | Rutland | Summit Properties | 22 | $300,000 |
| Newport Crossing | Newport | Orleans | Rural Edge | 43 | $2,934,457 |
| Reid Commons | St. Albans | Franklin | Cathedral Square | 33 | $300,000 |
| Salisbury Square II | Randolph | Orange | RACDC | 12 | $364,247 |
| | | | **Total** | **135** | **$4,089,247** |

** Already awarded $300,000 in LIAC debt*

*Figure 11*

I also extended $5 million in credit to VEDA to support the expansion of the Vergennes Grand, an assisted living community serving low- and middle-income retirees. The project will create an additional 65 assisted living beds and 45 full-time jobs. Finally, I extended $500,000 in credit to the Northern Forest Center to support the redevelopment of the 560 Railroad Street Project in downtown St. Johnsbury, creating 9 new high-quality market rate rental apartments and two prominent commercial storefronts.

After the July flood event, I consulted with the Vermont League of Cities and Towns and other stakeholders and LIAC, and ultimately extended $15 million in low interest loans to the Vermont Bond Bank. This will enable the Bond Bank to offer financing to municipalities to refinance or reimburse flood expenses at an estimated interest rate of 1.3% for seven years. The program will save taxpayers in flood-impacted communities up to an estimated $3.5 million.

# DEBT MANAGEMENT & SHORT-TERM CASH

## Debt Management

I believe that public debt is a tool that should be used prudently, with unstinting attention to what Vermonters can truly afford. Our state's excellent bond rating, affirmed this past fall by all three major rating agencies, is in large part a testament to prior Treasurers' and Legislatures' commitment to that view.

The Capital Debt Affordability Advisory Committee (CDAAC), on which I sit, plays a central role in determining state policy in this area. We are currently in the second of two years in which CDAAC recommended a total of $108 million for the biennium. See Figure 12.

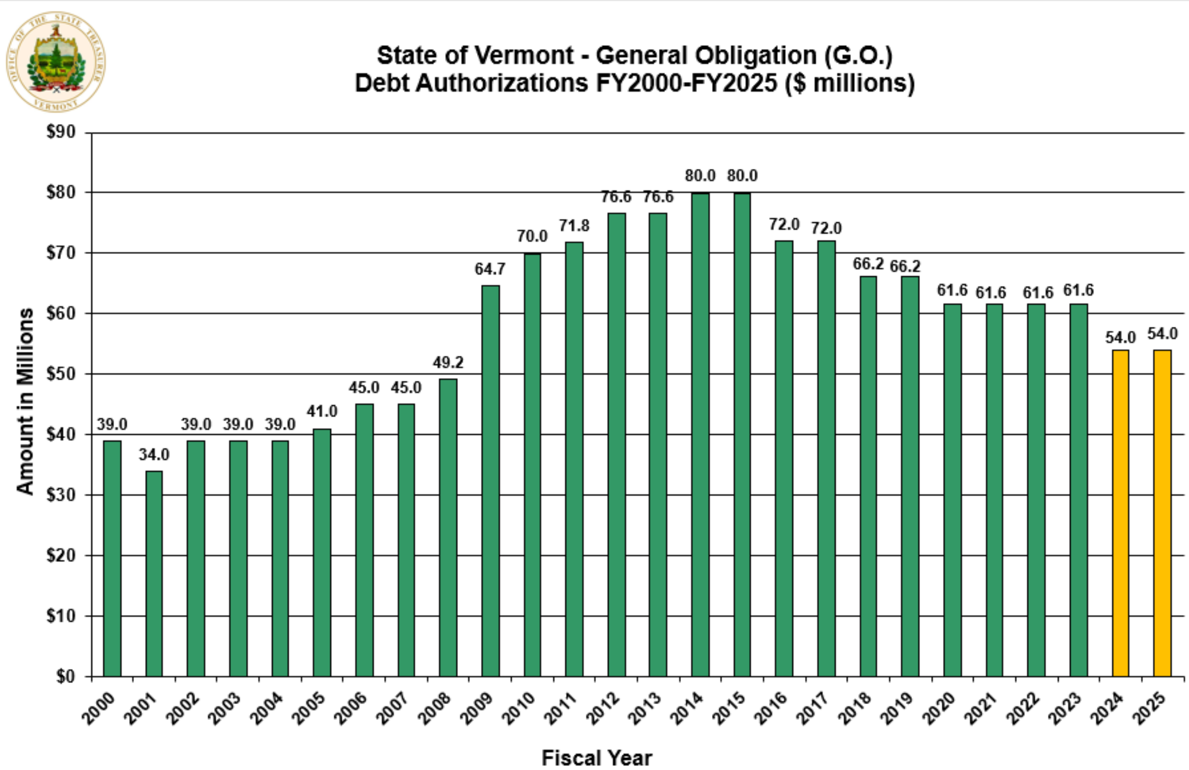


*Figure 12*

In accordance with that recommendation, my office successfully issued $62.765 million in debt in August 2023.

This level of debt, whether in nominal or inflation-adjusted terms, is part of an intentional downward trend in Vermont's borrowing, and an increasing effort to pay cash for capital projects. The Cash Fund for Capital and Essential Investments ("Cash Fund") established in FY23 with an initial $25 million in funding and, on an ongoing basis, via a calculation based on the General Fund savings derived from reductions in bonding. See January 25, 2023 JFO Report. Funds directed to the Cash Fund (and available for cash expenditure on capital projects) are projected to increase to almost $50 million per year by FY2042, by which point the fund will have enabled over $500 million in cash spending and will have earned over $6 million. *Id.* at 3.

My office this year also redeemed the last $20 million in Transportation Infrastructure Bonds, which will provide substantial savings over time.

Broadly, I continue to believe in a prudent approach to debt and in reducing the routine use of debt for capital projects, while acknowledging that there are some challenges the state faces that can reasonably be addressed by careful borrowing.

# Cash Management & Short-Term Investing

The Treasurer's Office Operations Division currently manages – on average – about $2 billion in short-term cash holdings for the state, with substantial inflows and outflows amounting to roughly $8 billion in the course of a year. Our short-term cash management policy focuses first and foremost on liquidity and safety of state funds. Our deposits are all fully insured or 100% collateralized.

By negotiating extremely favorable interest rates on its cash deposits, very nearly equal to the benchmark federal funds rate, the Division has leveraged historically high cash balances to provide substantial additional revenue to the State in the past fiscal year. Approximately $80 million in interest income resulted from a historic combination of high cash balances and roughly 5% interest on many deposits. The current fiscal year will likely see similar levels of interest income.

This will not last, however. We project, broadly speaking, that interest income has peaked and will moderate over the next 1-2 fiscal years as federal monies are spent down and interest rates decline. Because each of these phenomena is itself complex and difficult to predict, their combined effect is even more so. We remain in close contact with JFO, the State Economist, and the Department of Finance & Management on this topic. The State Economist recently projected that interest income will moderate to a level of about $20M by FY28. See July 2023 Consensus Revenue Forecast, at 27.

A core principle is that the current level of interest income should not be counted on as an ongoing source of revenue, even if this level lasts for a few years and ultimately settles at a new baseline higher than pre-pandemic levels.

# Trust Investment Account & OPEB

The Operations Division also administers the Trust Investment Account, pursuant to statutory authority. The TIA includes restricted funds with non-expendable principal balances and other long-term funds, as distinct from the state’s short-term cash holdings. The TIA balance currently consists primarily of the Higher Education Endowment Trust Fund ($31,278,274, or roughly 66%), various ANR trust funds ($13,921,930, or roughly 30%), and miscellaneous smaller funds.

The TIA asset allocation targets a 50-50 equity-bond split, reflecting a desire to seek some returns while ensuring capital preservation to a high degree.

In FY23, the TIA investment return was 8.6% net of fees.

The Office also manages the State’s growing OPEB fund balances. As described more fully above, the two OPEB funds (VSERS and VSTRS) are growing rapidly as the State continues on the path to full funding by 2048. The OPEB funds are invested separately from the TIA. The OPEB balances as of 6/30/23 were $137,654,063 (VSERS) and $69,546,879 (VSTRS) and the investments returns for FY23 were 8.68% (VSERS) and 11.92% (VSTRS) net of fees.

# UNCLAIMED PROPERTY

Our Unclaimed Property Division, with a staff of three, paid almost 20,000 claims in fiscal year 2023, an all-time record for our state. While many of the claims were small, every one of them was important enough to the claimant to file a claim. We continue to work to make the claims process seamless and – while still engaging in necessary fraud-prevention measures – as quick as possible.

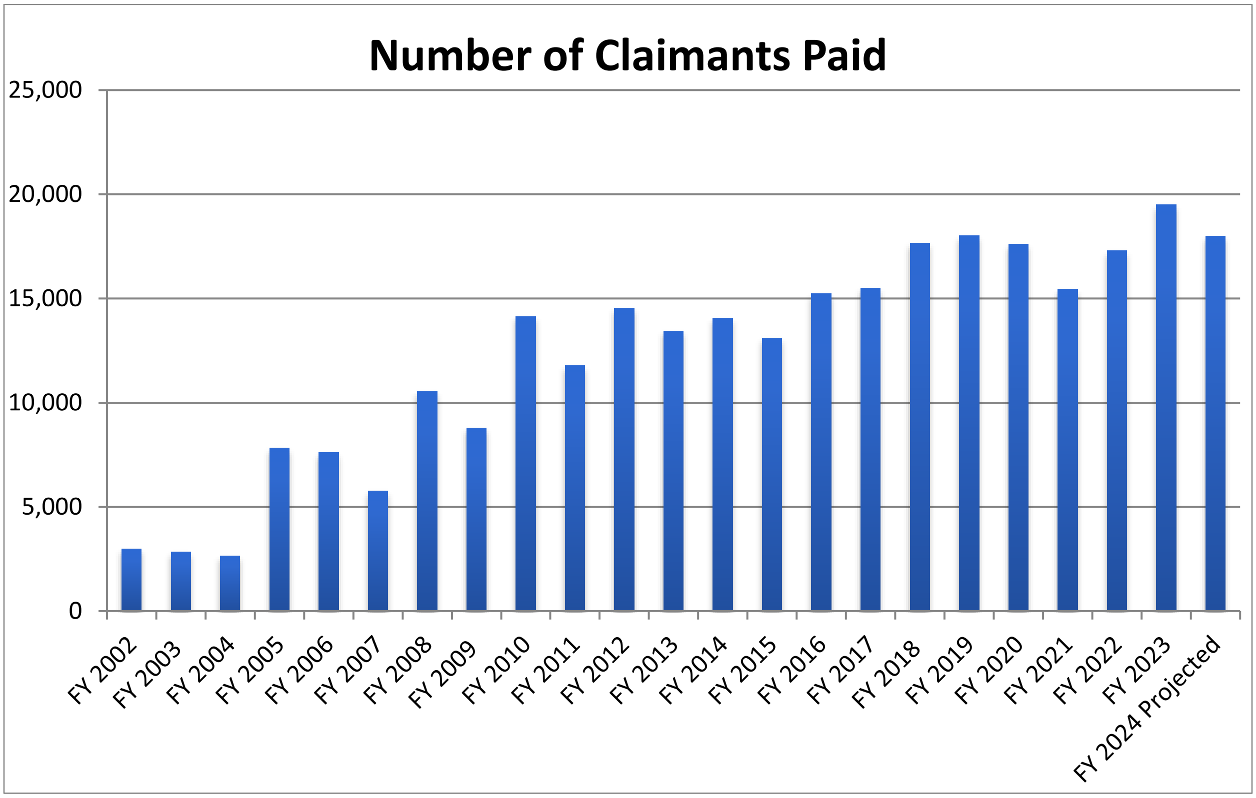


*Figure 13*

As in virtually every other state, our unclaimed property program continues to take in more property than it pays out, sometimes by substantial amounts. This last year is no exception – our office received $14.7 million and, despite paying a record number of claims, paid out only $3.6 million, which is one of the lowest totals in recent memory. This is driven by the nature of the claims made, and we do not believe it represents a trend.

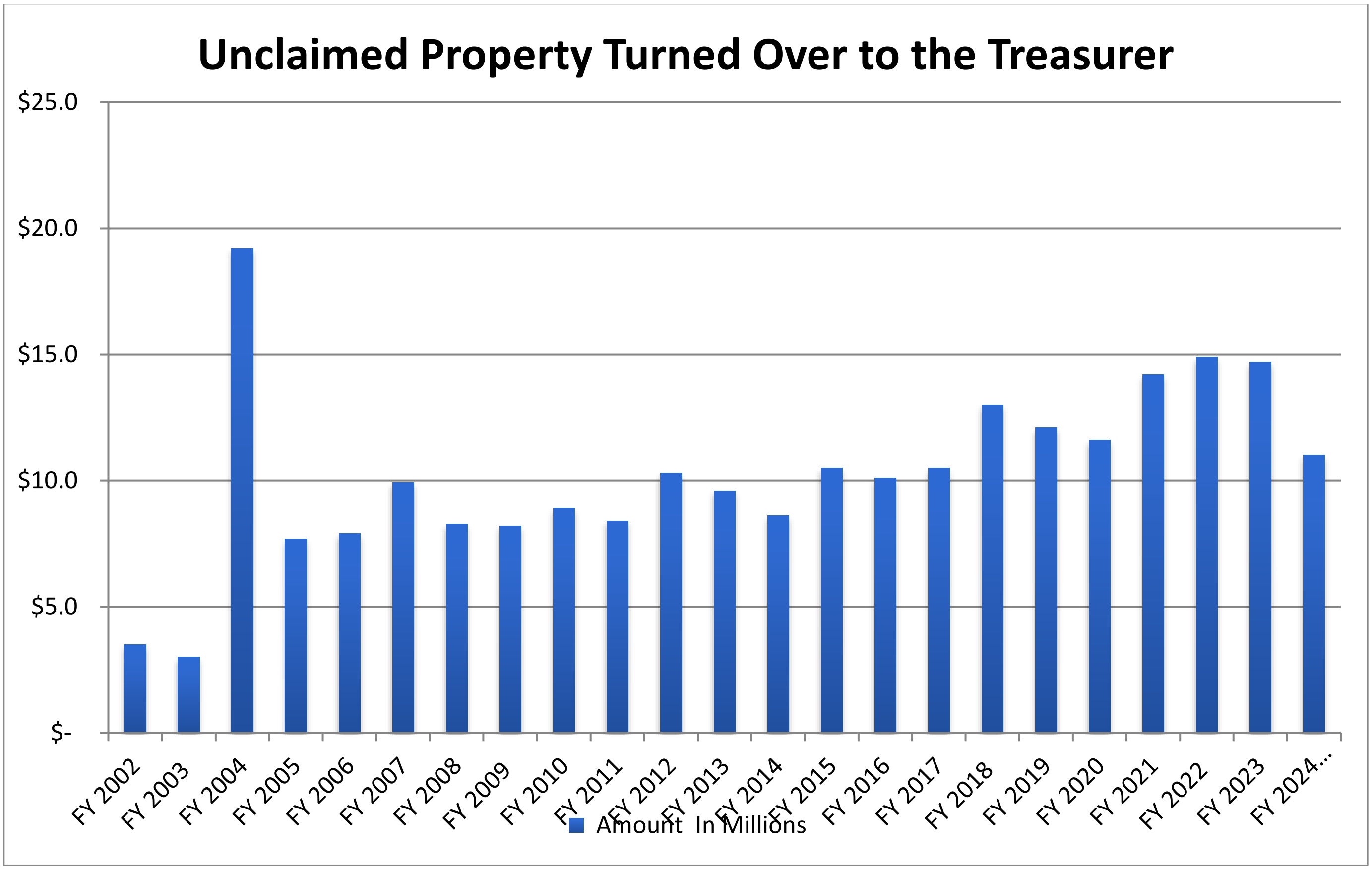


*Figure 14*

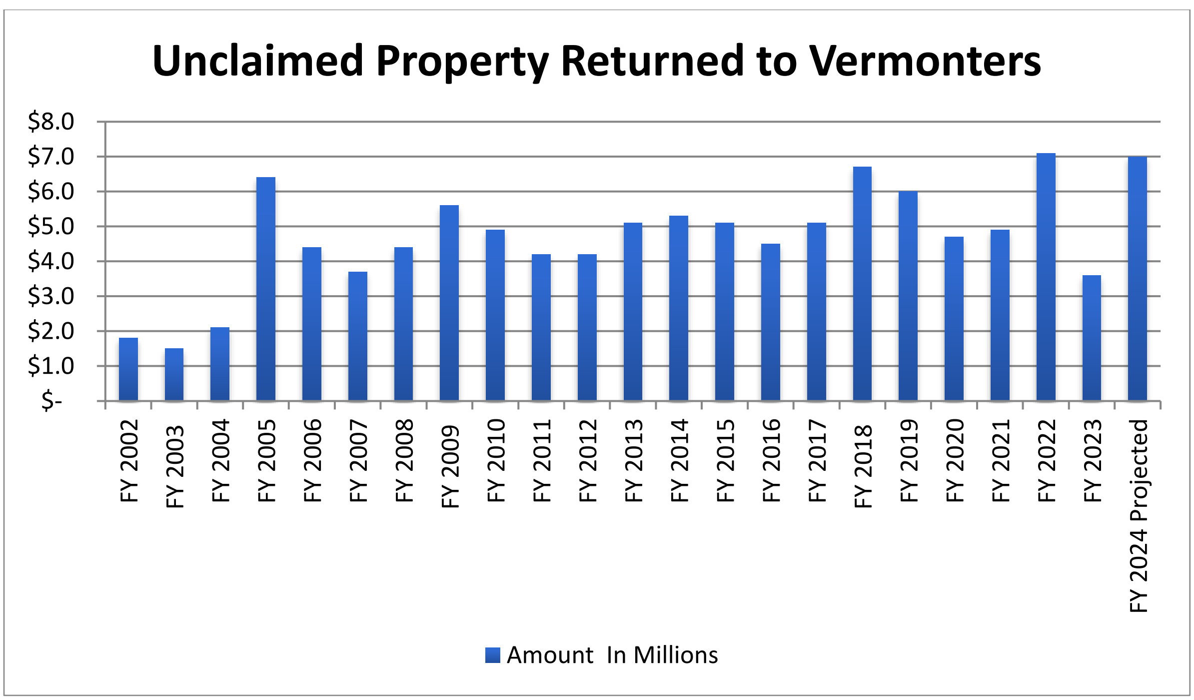


*Figure 15*

In addition to the pilot projects with the Tax Department and the Secretary of State, my office is looking comprehensively at what we can do to return funds to Vermonters while also minimizing fraud risk.

Among other things, I plan to take a closer look at ways to actively seek out potential claimants of larger properties. As the following chart reflects, in every county there is at least one property valued at over $50,000 and, in several cases, unclaimed property valued at over $500,000.

| County | Largest Claim Amount FY2023 | Largest Remaining Property |
|---|---|---|
| Addison | $9,013.99 | $55,305.26 |
| Bennington | $10,526.51 | $107,357.19 |
| Caledonia | $21,848.25 | $78,232.20 |
| Chittenden | $58,722.56 | $511,698.00 |
| Essex | $510.14 | $55,513.62 |
| Franklin | $11,678.14 | $405,120.00 |
| Grand Isle | $4,118.06 | $86,327.90 |
| Lamoille | $143,520.11 | $648,227.37 |
| Orange | $20,833.10 | $85,717.79 |
| Orleans | $39,560.26 | $72,318.31 |
| Rutland | $118,349.11 | $181,543.67 |
| Unknown | $55,670.95 | $684,098.00 |
| Washington | $108,822.16 | $135,600.00 |
| Windham | $9,318.29 | $904,432.32 |
| Windsor | $120,522.70 | $133,744.29 |

*Figure 16*

# FINANCIAL LITERACY AND ECONOMIC EMPOWERMENT

Financial literacy and economic empowerment are vitally important to Vermonters' futures and are a central focus of mine. This past year has marked several new initiatives.

Early in 2023, my office partnered with the Attorney General's Office and the Department of Financial Regulation to deliver a coordinated media campaign for Financial Literacy Awareness Month. And in partnership with the Winooski School District and personal finance teacher Courtney Poquette, Treasurer's Office and DFR employees spent much of a day at Winooski High School with personal finance students. In early 2023, I supported, along with many others, H.228, which would have required financial literacy to be taught in all Vermont high schools.

I have also, along with Treasurer's Office staff, collaborated with several other statewide and local organizations, including Capstone Community Action, AARP, the Vermont Network Against Domestic Violence, Spectrum Youth & Family Services, and the Burlington and Champlain Chambers of Commerce, on topics and events related to financial literacy.

We view our major policy initiative of last session – the VT Saves public retirement plan – as being in large part a financial literacy and empowerment project. My team and I have continued to travel the state to meet with Vermont employers and employees to educate them about the program specifically and, more broadly, about the importance of saving for retirement. A core part of our future efforts with respect to VT Saves will be outreach like this, in partnership with stakeholders statewide. We anticipate enrolling our first savers in the program later this year, earlier than required by the enabling legislation.

Similarly, our central policy initiative of this session – the "baby bonds" proposal in H.769 and S.268 – is at heart an effort to provide vulnerable Vermonters with the practical means to build wealth and combat intergenerational poverty. Our proposal, which has strong support in both chambers, is to invest $3,200 for every child whose birth is covered by Dr. Dynasaur each year. When these children reach age 18, they can withdraw the funds for wealth-building activities like education, a home purchase, retirement savings, or starting a business. In connection with this, we plan to engage beneficiaries in a suite of wraparound services and financial education resources.

Separately, I am also very much looking forward to the impending start of a partnership – funded by a grant from a financial institution – with a Vermont non-profit to provide financial education and support to some of Vermont's most vulnerable residents. The details of this program will be announced in early February.

# OTHER MATTERS

## Vermont Achieving a Better Life Experience (ABLE)

In 2017, Vermont joined a multi-state partnership headed by the Ohio State Treasurer's Office's STABLE program, in order to offer 529-A ABLE accounts to Vermonters experiencing disabilities. These accounts fall within section 529 of the Internal Revenue Code of 1986 and function as tax-free savings vehicles for disability-related expenses. They enable Vermonters with disabilities to have assets without endangering their eligibility for means-tested programs.

As of January 1, 2024, there are 1,024 active Vermont ABLE accounts. The average account balance is $9,126.70 and the total assets under management have grown to $9,349,261.93. This represents an increase of 175 active accounts over the previous year, or a 20% increase in participation.

As a result of Vermont's participation in the multi-state partnership, we have been able to leverage economies of scale and lower account fees as the program grows over time. We are pleased to share that in 2024, the annual Account Maintenance Fee will be reduced from $39.00 per year to $27.00 per year.

This year, the Treasurer's Office is also pursuing a legislative initiative to remove the Medicaid recapture language from the Vermont ABLE enabling statute. Under the current statute, after the death of a Vermont ABLE beneficiary, Medicaid has the authority to recapture funds after final expenses have been paid. Recapturing relatively small account balances has proven administratively burdensome. Additionally, we have received feedback from participants that the recapture provision can be a deterrent to signing up for an account. We are hopeful that this update to the law will be included in the FY 2024 Budget Adjustment Act.

For more information on the Vermont ABLE program, as well as instructions on how to enroll, please visit: VermontABLE.com.

## State PACE Reserve Funds

24 V.S.A. § 3270 specifies that the State Treasurer shall administer the State PACE Reserve Fund. The purpose of the fund is to reduce, for certain Property-Assessed Clean Energy districts, the risk faced by an investor making an agreement with a Vermont municipality to finance such a district. Monies deposited in this fund may be invested by the State Treasurer. The balance of this fund may be expended for the sole purpose of paying claims resulting from certain losses related to a Property-Assessed Clean Energy district. During fiscal year 2023, there were no new funds deposited into this fund. There was $1,895 earned on the balance in the fund. There were no claims submitted and, therefore, no expenditures from the fund during fiscal year 2023. The fund balance as of June 30, 2023 was $55,332.

## State Energy Revolving Fund

The Treasurer has received separate statutory authorizations for a total of $8.5 million in lending for energy upgrades in State buildings via the State Energy Revolving Fund (SERF). These loans, until 2023, were limited to a seven-year term. I received feedback from the Commissioner of Buildings and General Services that BGS was unable to take on some important energy-efficiency projects due to the seven-year term. See BGS 2022 Annual Report, at 26-27. Accordingly, in order to ensure the State is able to take full advantage of potential energy savings, even when the projects needed to do so are complex and require longer-term financing.

As of 8/30/23, SERF had just over $5 million in lending capacity, of the total $8.5 million authorization.

## Vermont Higher Education Endowment Trust Fund

In each fiscal year, the Treasurer may distribute up to 5% of the 12-quarter moving average of the Fund's assets equally between the University of Vermont, the Vermont State Colleges, and the Vermont Student Assistance Corporation (VSAC); however, the amount distributed cannot exceed the sum that would bring the fund balance below total contributions made to the principal balance.

Principal contributions through June 30, 2023, totaled $33,237,369. Subtracting this from the fund balance of $34,158,192 left $920,823 for distribution. This was roughly 3% of the balance. Each institution accordingly received one-third of the distribution: $306,941. The fund's performance, and the distribution, are fully described in the Annual Report on this topic filed on September 30, 2023.