S&P Global Ratings

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Vermont; General Obligation; School State Program

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Table Of Contents

Vermont; General Obligation; School State Program

Credit Profile		
Vermont GO		
Long Term Rating	AA+/Negative	Outlook Revised

Rating Action

S&P Global Ratings revised its outlook to negative from stable on the State of Vermont's general obligation (GO) debt outstanding. At the same time, we revised our outlook to negative from stable on the Vermont Municipal Bond Bank's Vermont State Colleges system bonds outstanding that include an intercept mechanism dependent on appropriation funding from the State of Vermont to Vermont State Colleges System.

S&P Global Ratings also affirmed its 'AA+' rating on Vermont's GO debt outstanding and its 'AA-' rating on the Vermont Municipal Bond Bank's Vermont State Colleges system bonds outstanding.

The revised outlook reflects that there is at least a one-in-three chance we could lower our rating on Vermont. We believe the state's economic growth potential is limited by the social risk of its demographic profile, as its population has declined over the past decade (on a cumulative basis) and its population is among the oldest in the nation. While the state has rolled out various workforce development initiatives to address its demographics--including programs to retain college students and attract remote workers--and there have been reports of an uptick in domestic in-migration as the state's low population density attracts out-of-state residents during the COVID-19 pandemic, the long-term effects of these developments are currently unclear. At the same time, Vermont's unfunded retirement liabilities have grown, despite the state's history of meeting or exceeding actuarial determined contribution (ADC) levels. Should these trends continue, we expect this juxtaposition could lead Vermont to face heightened budgetary challenges not commensurate with the current rating level.

The GO bonds are secured by the full faith and credit of the State of Vermont.

Credit overview

In our view, Vermont's proactive budget management practices and well-embedded strong financial policies have helped anchor its credit profile over time, as pressures have mounted from demographic trends and retirement liabilities. These strengths--which include regular forecast updates, annual midyear budget adjustments, consistent reserve levels across economic cycles, and debt affordability oversight--remain crucial to the state's credit quality. In our view, these practices have helped Vermont close a sizeable 11.1% general fund budget gap in fiscal 2021, stemming from the COVID-19 pandemic, primarily by recurring measures. However, we anticipate that if the trajectory of current challenges persist, the state's structural budget balance could begin to slowly erode over the long term, given shrinking resources to address significant liabilities.

Vermont enacted its full-year budget for fiscal 2021 on October 2, 2020, following a three-month spending plan that approximately level-funded most state agencies and departments on a pro-rata basis and fully funded debt service obligations and pension obligations at actuarially determined employer contribution levels. Management reports it closed a projected $184.9 million, or a sizable 11.1%, general fund budget gap through adjustments that include appropriation reductions ($48.1 million); departmental savings at the state's Agency of Human Services, primarily due to enhanced federal support for Medicaid ($46.7 million); the reversion of previously planned reserves ($18.7 million); and transfers from other funds ($13.7 million). The state had planned to address the remainder of the deficit by utilizing general fund reserve accounts, but management reports this was ultimately avoided through improvement to revenue projections and identification of additional savings.

The least-populous state in the nation, at approximately 624,000 residents in 2019, Vermont has recorded a cumulative population decline of 0.3% from 2010 to 2019, while the nation's population has grown by 6.1% over the same period, according to the U.S. Census Bureau. Although the state has recorded population gains in some years--including recently in 2018 and 2017--growth has been minimal and uneven. The state's net domestic migration has been negative for 15 consecutive years, while the natural increase in births over deaths has been minimal, according to IHS Markit. Management believes consumption patterns will hold, given that its older population has recorded upward-trending labor force participation rates and increasing wealth levels. The state anticipates updated data from the yet-to-be-released 2020 Census will crucial for its demographics strategy moving forward.

Vermont's most recent consensus revenue forecast was conducted in August 2020, between passage of a three-month short-term spending plan and a full-term budget for fiscal 2021. Projections for the general fund and partial education fund (including sales taxes but excluding property tax estimates not yet available at the time of the forecast) showed declines in fiscal 2021 related to the COVID-19 pandemic before recovering back to fiscal 2020 levels by fiscal 2023. In our view, the forecast includes reasonable projections: the state anticipates its gross state product (GSP) growth will decline 7.4% in 2020 before growing 0.1% in 2021 and 1.9% in 2022, while IHS Markit expects Vermont's GSP to decline 5.3% in 2020 before growing more rapidly by 4.4% in 2021 and 3.0% in 2022.

Specifically, the August consensus revenue forecast predicted the general fund would decline by 11.2% and the partial education fund would decline by 4.6% in fiscal 2021. The primary drivers responsible for these declines are personal income taxes ($89.7 million, or 9.7%) and corporate income taxes ($98.6 million, or 66.7%) for the general fund and sales and uses taxes ($15.7 million, or 3.6%) for the education fund. Officials noted personal income tax revenues are backward-looking: strong collection in fiscal 2020 stemming from a strong economy in tax year 2019 is expected to transition to lower levels in fiscal 2021, given generation of less taxable income in tax year 2020.

On a year-to-date basis through September, both general and education fund revenues are running ahead of projections. The general fund is $49.3 million (9.4%) above estimates, attributable in part to the inclusion of $162 million in deferred personal income tax payments from fiscal 2020. Officials note that because the state's estimated personal income payments must equal 100% of the previous year's tax liability (or 90% of the current year's estimated tax liability), calendar year 2019's income growth may account for a significant part of the overperformance in personal income tax collections in September 2020. For the same period, the education fund is $13.3 million (9.9%) above estimates, led by overperformance of sales and use taxes. The next consensus revenue forecast is expected to be held in January.

The fiscal 2021 budget funds the state's reserve accounts at their maximum statutory levels of 5% of the previous year's budgetary appropriations, which we consider good, along with some additional reserves in the general fund. Specifically, the state's budget stabilization reserve held $79.8 million at the close of fiscal 2020 which represents a good 5.0% of annual general fund expenditures. These three funds' stabilization reserves remained funded at their statutory maximums through the Great Recession.

Officials report the state did not need to obtain internal or external borrowing during fiscal 2020 and does not anticipate needing additional liquidity in fiscal 2021.

The ratings reflect our opinion of the state's:

- Strong financial and budget management policies that have contributed to consistently good reserve and liquidity levels;
- Employment composition reflective of the U.S. economy, characterized by average income levels and low unemployment rates, although economic growth has been slow and demographic challenges persist;
- Well-defined debt affordability and capital-planning processes, in our view, that have limited leverage and contributed to a modest tax-supported debt burden with rapid amortization of tax-supported debt; and
- Significant pension and other postemployment benefits (OPEB), which remain sizable relative to those of state peers, despite some recent reform efforts.

Based on the analytic factors we evaluate for states, on a four-point scale in which '1' is the strongest and '4' is the weakest, we have revised our a composite score from '1.8' to '1.9' for the State of Vermont, which is associated with a 'AA' indicative credit level. We have used the notch flexibility upward to 'AA+', reflecting the state's proactive fiscal management policies and practices, consistent reserve levels over multiple economic cycles, and modest debt burden guided by thorough capital planning. Vermont has historically pursued midyear budget updates each fiscal year, with emphasis on maintaining structural balance. This practice, along with regular forecast updates, has allowed the state to keep its reserve levels consistent over time, typically at levels we consider to be good. The state's debt affordability processes have reduced the state's debt burden over time and current authorization levels are expected to keep debt levels low in upcoming years.

Environmental, social, and governance factors

We view the risks posed by the COVID-19 pandemic to public health and safety as a social risk, which, if sustained, could weaken the state's economy, liquidity, and budget performance. Absent the implications of COVID-19, we view Vermont's governance risks as being in line with our view of the sector as a whole, while the state's environmental risks are somewhat elevated because of the potential for severe flooding events along river corridors.

In our opinion, the state is also exposed to some social risk through its demographic profile. The U.S. Census Bureau reports Vermont ranks among the oldest populations in the nation. In S&P Global Ratings' view, older-aged states reliant on older and higher-income households are more likely to experience revenue declines, in part the result of falling incomes at retirement. On the whole, S&P Global Ratings considers managing demographic trends a long-term factor affecting the credit quality of state governments and an important part of its holistic analysis of state credit quality.

Negative Outlook

Downside scenario

We could lower our rating on Vermont if we believe that the trajectory of the state's economy will lead to softened economic metrics (e.g., demographic profile, GSP growth levels) over the long term, creating an increasingly challenged budgetary environment. In this scenario, the rating would no longer be commensurate at the current rating level, despite strong management practices and policies.

Although unexpected, increases to unfunded retirement liabilities driven by diversion of resources or lack of action to control the liability could also pressure the rating.

Return to stable scenario

Should Vermont's economy begin to show signs of structural improvement--such as from population gains driven by improved migration trends or from increased growth in GSP levels--or resiliency from economic pressures brought on by the current COVID-19 pandemic while the state's finances remain structurally balanced, we could revise the outlook back to stable.

Significant improvement to the funded status of the state's retirement liabilities would likely require additional budgetary resources in the near to medium term, given that contributions (which typically meet or exceed actuarially determined levels) fail to meet our calculation of minimum funding progress necessary to reduce the unfunded liability. In this scenario, we expect uplift to the state's credit profile would likely be recognized over the longer term.

Government Framework

Vermont does not have a constitutional or statutory requirement to enact or maintain a balanced budget, but it has consistently maintained sound finances. In our view, the state has significant flexibility to increase the rate and base of its major tax revenues, which include income taxes, sales taxes, and a statewide property tax that funds the state's support of local education. We view Vermont's revenue sources as diverse. The state does not allow voter initiatives, and maintains the ability to adjust disbursements in order to maintain sufficient liquidity. Debt service can be paid without a budget, but there is no other legal priority for debt.

The state's tax structure is broad, and its revenue sources are diverse across several operating funds. The general fund relies primarily on unrestricted revenues from personal and corporate income, and meal taxes. The education fund relies primarily on a statewide property tax and sales and use taxes. The education stabilization reserve ended the year at the statutory maximum of 5% of expenditures. The transportation fund relies primarily on federal-match grant revenues, a motor vehicle license fee, and a motor fuel tax.

On a scale of '1.0' (strongest) to '4.0' (weakest), we have assigned a '1.6' to Vermont's government framework.

Financial Management Assessment: Strong

S&P Global Ratings considers Vermont's financial management practices strong under its Financial Management Assessment methodology, indicating financial practices are strong, well-embedded, and likely sustainable.

Much of Vermont's debt and financial management practices are embedded in state statute. These, along with internally developed policies, guide the state's long-term budget and capital planning, debt management, and investing practices. The state has a well-established consensus revenue-estimating process. According to statute, the joint fiscal office and administration provides its respective revenue estimates for the general, transportation, and federal funds for the current and succeeding fiscal years to the Vermont Emergency Board.

Vermont law also requires a long-term capital plan. The governor submits a capital budget annually to the General Assembly, based on debt management provisions outlined by the state's capital debt affordability advisory committee. The committee's estimate is nonbinding, but the state legislature has never authorized new long-term GO debt in excess of the committee's estimated amount. The state has formal debt management policies, including a statutory debt affordability analysis developed by the capital debt affordability advisory committee that Vermont integrates into the operating budget development process and updates at least annually. Vermont has not entered into any interest-rate swaps and, therefore, does not have an adopted swap-management policy. Statutory restrictions and adopted administrative policies govern investment management, and the office of the state treasurer monitors compliance.

Budget management framework

The state has multiple tools to assist financial management. Vermont monitors revenues and publishes results monthly and the emergency board typically meets at least twice annually--in July and January--to evaluate the revenue forecast and make adjustments, if necessary. The state forecasts also include Medicaid revenue and spending. These consensus forecasting meetings can be convened more frequently, and were held quarterly during fiscal years 2008-2010 in response to the Great Recession and the potential effect on revenue and expenditures. The emergency board includes the governor and the legislative chairs of the house and senate money committees. The forecasting process includes traditional economic and revenue forecasting, which Vermont performs with the assistance of outside economists, for the current and succeeding fiscal years, as well as a less-detailed forecast for the next eight years.

The governor has statutory authorization to adjust the budget within certain revenue and expenditure change limits when the Vermont legislature is not in session. Vermont maintains stabilization reserve funds at statutory levels to reduce their effect on annual revenue variations. In 1993, the state created separate budget stabilization reserves within the general and transportation funds. The amount in each of these reserves is not to exceed 5% of previous-year appropriations. In fiscal 1999, the state created an education fund budget stabilization reserve, which is to not exceed 5.0% of non-property tax revenues. The governor included a proposal in the fiscal 2013 executive budget to increase the general fund stabilization fund to 5.25% from 5.00%, but the legislature instead added a general fund balance reserve fund with a separate cap of 5.00% of expenditures.

On a four-point scale, with '1' being the strongest score, we have assigned a '1' to Vermont's financial management.

Economy

Vermont is the least-populous state in the nation, at approximately 624,000 residents in 2019. Over the past decade, the state's population has declined as the nation's has grown. Specifically, Vermont has lost 0.3% of its population from 2010 to 2019 (negative 0.01% compound annual growth rate) as the nation's population grew 6.1% (0.68% compound annual growth rate). Although the state has recorded population gains in some years--including recently in 2018 and 2017--growth has been minimal and uneven.

Vermont's quality of life and well-educated workforce provide economic development opportunities; however, it ranks low among the states in its business-tax and regulatory environment, and its slow workforce expansion could continue to stifle future economic growth prospects. The state's net domestic migration has been negative for 15 consecutive years, while the natural increase in births over deaths has been minimal, according to IHS Markit. The state expects updated data from the yet-to-be-released 2020 Census will crucial for its demographics strategy.

Vermont reports it has strategized its workforce-development initiatives in order to address its demographic issues. Broadly, the state has coordinated efforts with the U.S. Department of Labor, kindergarten through grade 12 (K-12) education, and higher education. Specific initiatives include work-opportunity tax credits and a program to attract remote workers. We believe that, while the state is taking proactive steps, the effectiveness of these measures is not yet clear.

Vermont's economy is driven by tourism, higher education, electronics, consumer-goods manufacturing, and agriculture (including dairy farming). Exports are an important part of the state's economy, with a substantial portion going to Canada, according to IHS Markit. Exports in 2019 primarily consisted of computer and electronic products (65.3%), followed by machinery (5.2%). In 2019, Vermont's exports totaled more than $3 billion, 39.5% of which was with Canada.

Vermont's employment diversity by sector is generally in line with the nation's, in our view, and has not demonstrated more cyclicality than when the U.S. Global Foundries completed its acquisition of IBM--the third-largest private-sector employer in the state, accounting for a large portion of the state's manufacturing employment and exports. Global Foundries, which manufactures semiconductors for consumer electronic products, including chips for cell phones and other devices, employs about 2,500 workers at its Essex Junction plant. According to IHS, a large portion of the state's manufacturing exports includes computers and electronics products from the facility. The Vermont Yankee nuclear power plant ceased production at the end of 2014, and it will be demolished by 2026. Encore Renewable Energy, a Vermont solar panel company, received a total of $1 million in investment grants from Maine, New Hampshire, and Vermont to continue its expansion in the region, according to IHS Markit.

State income levels are average, in our opinion. State per capita income of $53,293 was 97.9% of that of the U.S. in 2019. GDP per capita of $54,510 was 83.5% of the U.S. in 2019 and has historically remained at about this level.

On a four-point scale, with '1.0' being the strongest, we have assigned a '2.4' to Vermont's economy.

Budgetary Performance

We believe Vermont has a history of proactive budget management. The state, by statute, establishes a consensus revenue forecast at least each July and January. It has authority to make midyear budget adjustments and has done so, with an emphasis on structural balance, each fiscal year since 2012 through various budget adjustment acts. The state's process for identifying and remediating budget shortfalls early in the fiscal year allows for flexibility of resolution, in our view.

S&P Global Ratings considers the state's combined general fund and education fund revenue to be diverse, with statewide education taxes, personal income taxes, and sales taxes constituting 36.4%, 24.3%, and 13.8% of fiscal 2020 revenue collections, respectively.

Several key changes were made to existing state revenue and expenditure distributions effective in fiscal year 2019, as passed in Act 11 in 2018. The most significant changes were the shifts of the entirety of the sales-and-use tax and 25% of the meals-and-rooms tax from the general fund to the education fund. At the same time, the act eliminated a lump-sum annual transfer of general fund dollars to the education fund. Officials report the law was intended to remove the need for this interfund transfer. In our opinion, this shift puts additional spotlight on the education fund as one of the state's core operating funds.

Vermont maintains separate budget stabilization funds in its general, transportation, and education funds that are available to offset undesignated fund deficits. The statutory maximum for the three stabilization reserves is 5% of the previous-year budgetary appropriations. The three stabilization funds have been at their statutory maximums since fiscal 2007. Vermont pools the cash reserves for these major funds, which result in sufficient liquidity for operations during the fiscal year. Officials indicate that the state has not externally borrowed for liquidity since fiscal 2004.

We note the state maintains other available reserves outside of its budget stabilization fund that are restricted for designated uses. These funds include the general fund balance reserve, the 27/53 reserve (to meet liabilities during years with a 27th biweekly payroll and a 53rd week of Medicaid payments), and the human services caseload reserve (for caseload-related needs of several human services agencies). The state projects these funds will contain $31.6 million, $20.3 million, and $93.4 million, respectively, at the close of fiscal 2021.

Audited fiscal 2019 results (generally accepted accounting principles basis)

Vermont's comprehensive annual financial report (CAFR) as of June 30, 2019, reports positive operating results for the state's general fund, on a generally accepted accounting principles (GAAP) basis. Total general fund revenues were $1.63 billion and total general fund expenditures were $1.02 billion, while net transfers out are sizeable, at $566.53 million (55% of expenditures), attributable in part to providing funding for the state's Medicaid program waiver. The general fund ended the fiscal year with a total fund balance of $212.8 million, which represents 24.5% growth from fiscal 2018. The general fund balance is composed of $60.7 million (28.5%) in nonspendable funds, $9.3 million (4.4%) in assigned funds, and $142.8 million (67.1%) in unassigned funds. General fund cash and cash equivalents totaled $215.3 million, up from $97.0 million in fiscal 2018.

The education fund, on a GAAP basis, closed the fiscal year with slightly negative operating results. Total education fund revenues were $1.61 billion and total education fund expenditures were $1.65 billion, resulting in an operating deficit of $40.47 million (2.5% of expenditures); net transfers into the fund were $40.47 million. The education fund ended the fiscal year with a total fund balance of $103.5 million, which is about level from fiscal 2018. The education fund balance, at $103.5 million, is composed entirely of committed funds. Cash and cash equivalents totaled $82.4 million, up from $79.2 million in fiscal 2018.

Across total governmental funds, the state posted an ending balance of $1.06 billion, a slight 1.4% decline from fiscal 2018. This ending balance consists of $68.1 million (6.4%) in nonspendable balances, $530.8 million (50.2%) in restricted funds, $330.3 million (31.3%) in committed funds, $12.3 million in assigned funds (1.2%), and $115.0 million (10.9%) in unassigned funds. Available cash and cash equivalents are $580.9 million, which represents 9.8% of total governmental funds expenditures.

On a four-point scale, with '1.0' being the strongest, we have assigned a '1.4' to Vermont's budgetary performance.

Debt And Liability Profile

In our opinion, Vermont's total tax-supported debt burden is moderate, at $991 per capita, 1.8% of personal income, and 2.0% of general government spending. Compared with GSP, the fiscal 2019 tax-supported debt service was low, in our view, at about 1.8%. We consider the debt amortization to be rapid, with officials retiring just over 74% of tax-supported debt over the next 10 years.

Vermont's debt portfolio consists of only fixed-rate debt, without any exposure to interest-rate swaps. The state also does not have any direct-placement debt.

The state has a debt affordability committee that annually recommends a maximum amount of debt issuance for the next two fiscal years, and while the committee's recommendations are not binding, Vermont has consistently adhered to them. The recommendation for fiscal years 2022 and 2023 is $123.18 million, reflecting no change from the recommendation in previous biennium fiscal years 2020 and 2021. Debt service can be paid without a budget, but there is no other priority for the payment of debt before other general state expenditures.

When determining the state's liabilities, we view in aggregate its proportionate share of liabilities in Vermont's two defined-benefit pension plans and its two OPEB plans that offer health care to retirees.

- We view the state's pension funding discipline as somewhat weak because, while contributions in recent years have met actuarially determined levels, they have not covered our calculation of minimum funding progress. We considered the funded ratio across all plans to be relatively low, at 61.6%.

The state funds its retiree health care obligations on a pay-as-you-go basis, but has made some progress toward reducing the unfunded liability in the past and is current exploring options for prefunding the liability. We view the state's net OPEB liability as significant.

Pension liabilities

In our view, Vermont's unfunded pension liabilities are significant compared with those of many state peers, despite various reform efforts in recent years. Although the state has consistently met or exceeded ADC funding levels, the state's contributions continue to fall below our calculation of minimum funding progress, which we anticipate will lead to growing liabilities over time.

We consider Vermont's three-year average, pension-funded ratio across its pension plans to be relatively low, at 61.6%. At the same time, Vermont's proportionate share of the plans' net pension liability reflects what we view as a high $3,825 per capita and moderate 6.9% of personal income.

Vermont maintains three statutory defined-benefit pension plans. The VSERS is a single-employer plan and the VSTRS and Vermont Municipal Employees' Retirement System (MERS) are multiple-employer, cost-sharing plans. The state appropriates funding for the first two systems; the municipal system is supported entirely by municipal employers and employees and is not included in our calculation of the state's pension liabilities.

- VSERS: 69.41% funded, with the state's applicable net pension liability $826.4 million.
- VSTRS: 54.96% funded, with the state's applicable net pension liability $1.6 billion.

On the whole, management factors and actuarial inputs do not significantly encumber or improve our view of Vermont's overall pension funding discipline. VSERS and VSTRS each assume a closed, 18-year amortization period and uses the level-percentage-of-pay method, which assumes rising future payroll and results in escalating absolute pension contributions over time, based on the method's deferral of current contributions. Neither plan projects an asset-depletion date under the most recent available Governmental Accounting Standards Board (GASB) reporting.

The plans' board of trustees agreed on September 24, 2020, to lower its long-term investment return assumptions for the VSERS and VSTRS plans to 7.0% from 7.50%. The lower assumed discount rate is expected to increase required employer contribution rates in future fiscal years. Prior adjustments to the assumed long-term investment rate of return include an agreement made in July 2017 to lower the rate to 7.50% from 7.95%. Through 2014, actuarial valuations used a "select and ultimate" method for developing interest-rate assumptions, where return assumptions varied by period, ranging from 6.25% in year 1 to 9.0% in years 17 and later.

As of fiscal 2019, the VSERS and VSTRS plans reported five-year average rates of return of 6.4% and 6.5%, respectively, which are below the plans' assumed rate of return. The VSERS plan's ratio of active members to beneficiaries equals 1.2, significantly below the median national ratio of 1.3. The VSTRS plan's ratio is slightly lower, at 1.0. We believe the plans incorporate experience trends and industry standards in their experience studies conducted at least every five years.

State contributions for VSERS and VSTRS are actuarially based and funding has historically been at least 100% of the ADC, which we view positively. Vermont budgets for pension contributions based on percentage rates of each member's annual earnable compensation and the actuarial valuations two years prior. It budgets for the VSTRS ADC appropriation at the beginning of the year. The VSERS ADC accrues as a percent of salary expenses throughout the year, and the state adjusts subsequent appropriations to reconcile year-to-year variations in actual payroll to meet the projected ADC. Each plan's actuary recommends a contribution amount and each plan's retirement board reviews the actuary's recommendations annually before submitting their recommendation to the governor and both houses of the legislature for inclusion in Vermont's annual budget. The legislature is not required to follow the recommendations of the actuaries or the governor.

Since fiscal 2012, actual annual contributions to the systems have exceeded the respective ADCs, which state officials attribute to conservative budgeting. However, contributions for both plans continue to fall below our calculation of minimum funding progress, which we anticipate will lead to growing liabilities over time.

Other postemployment benefits liabilities

We believe Vermont's OPEB liabilities are significant. Notably, the state's unfunded retiree health care liabilities are the sixth-highest in the nation on a per capita basis and are nearly as large as the state's unfunded pension liabilities. We expect these liabilities will continue to rise, given the current pay-as-you-go financing structure; however, management notes the state is looking into various prefunding options.

Vermont offers two retiree health care plans to retirees of the VSERS and STRS. The Vermont State Postemployment Benefits Trust Fund (VSPB) is a single-employer, defined-benefit plan and the Retired Teachers' Health and Medical Benefit Fund (RTHMB) is a cost-sharing, multiple-employer, defined-benefit plan. The separate multiemployer Vermont Municipal Employees Health Benefit Fund for local government is administered by the state, but has no liability to the state, and is not included in our OPEB calculations.

On a combined basis, the state's proportionate share of the net operating loss (NOL) was $2.25 billion in fiscal 2019, according to GASB 74/75 reporting. This translates into a NOL per capita of about $3,600, which is well above the median of $570 and average of $1,469 across the states. For more information on state retiree health care liabilities, please see "Sudden-Stop Recession Pressures U.S. States' Funding For Pension And Other Retirement Liabilities," published on Aug. 3, 2020.

In the past, Vermont had taken steps to contain growth of unfunded retiree health care liabilities. The state's retiree health care plans enrolled retirees in a Medicare Part D Employer Group Waiver Plan (EGWP) from a retiree drug-subsidy program--effective Jan. 1, 2014, for VSPB and Jan. 1, 2015, for RTHMB--partially to achieve cost savings. The state has also established an OPEB trust fund for the VSERS, but it is minimally funded.

On a four-point scale, with '1.0' being the strongest, we have revised our score on Vermont's debt and liability profile to a '2.9' from a '2.8'.

Related Research

- Through The ESG Lens 2.0: A Deeper Dive Into U.S. Public Finance Credit Factors, April 28, 2020

Ratings Detail (As Of November 10, 2020)		
Vermont GO		
Long Term Rating	AA+/Negative	Affirmed
Vermont GO		
Long Term Rating	AA+/Negative	Affirmed

Ratings Detail (As Of November 10, 2020) (cont.)		
Vermont GO		
Long Term Rating	AA+/Negative	Affirmed
Vermont GO		
Long Term Rating	AA+/Negative	Affirmed
Vermont GO		
Long Term Rating	AA+/Negative	Affirmed
Vermont Mun Bnd Bank, Vermont		
Vermont		
Vermont Mun Bnd Bank (Vermont) SCHSTPR		
Long Term Rating	AA/Negative	Outlook Revised