New Issue – Book Entry Only

Ratings: *Moody's: Aa1*
Fitch: AA+
S&P: AA+
(See "RATINGS" herein)

In the opinion of Locke Lord LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds will not be included in computing the alternative minimum taxable income of individuals. However, interest on the Bonds will be included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. Under existing law, interest on the Bonds is exempt from State of Vermont personal income taxes and State of Vermont corporate income taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX EXEMPTION" herein.

$70,790,000
STATE OF VERMONT
General Obligation Bonds
2024 Series A

$36,860,000
STATE OF VERMONT
General Obligation Refunding Bonds
2024 Series B

Dated: Date of Delivery

Due: As shown on the inside cover hereof

The General Obligation Bonds, 2024 Series A (the "Series A Bonds") and the General Obligation Refunding Bonds, 2024 Series B (the "Series B Bonds," and together with the Series A Bonds, the "Bonds") will be issued as fully registered Bonds, and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), an automated depository for securities and clearinghouse for securities transactions. Purchases of beneficial interests in the Bonds will be made in book-entry form (without certificates) in the denomination of $5,000 or any integral multiple thereof. So long as DTC, or its nominee, Cede & Co., is the registered owner of the Bonds, payments of the principal of, premium, if any, and interest on the Bonds will be made directly to Cede & Co., which will remit such payments to DTC participants, which in return will remit such payments to the beneficial owners of the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein.

Interest on the Bonds will be payable semiannually on February 15 and August 15, commencing August 15, 2024. The Series A Bonds will be subject to redemption prior to maturity as more fully described herein. The Series B Bonds will not be subject to redemption prior to maturity.

The Bonds will be general obligations of the State of Vermont and the full faith and credit of the State are pledged to the payment of principal of and interest on the Bonds. See "THE BONDS – Security for the Bonds" herein.

The Bonds are offered subject to the final approving opinion of Locke Lord LLP, Boston, Massachusetts, and to certain other conditions referred to herein and in the Official Notices of Sale. Public Resources Advisory Group serves as Financial Advisor to the State. It is expected that the Bonds will be available for delivery in book-entry form through the facilities of DTC in New York, New York on or about June 20, 2024.

June 6, 2024

$70,790,000
STATE OF VERMONT
General Obligation Bonds
2024 Series A

Due February 15	Principal Amount	Interest Rate	Yield	CUSIP[†] 924258	Due February 15	Principal Amount	Interest Rate	Yield	CUSIP[†] 924258
2025	$3,540,000	5.00%	3.24%	6W1	2035	$3,540,000	5.00%	2.92%[*]	7G5
2026	3,540,000	5.00	3.13	6X9	2036	3,540,000	5.00	2.95[*]	7H3
2027	3,540,000	5.00	3.03	6Y7	2037	3,540,000	5.00	3.00[*]	7J9
2028	3,540,000	5.00	2.96	6Z4	2038	3,540,000	5.00	3.09[*]	7K6
2029	3,540,000	5.00	2.92	7A8	2039	3,540,000	5.00	3.15[*]	7L4
2030	3,540,000	5.00	2.91	7B6	2040	3,540,000	5.00	3.25[*]	7M2
2031	3,540,000	5.00	2.91	7C4	2041	3,540,000	4.00	3.67[*]	7N0
2032	3,540,000	5.00	2.91	7D2	2042	3,540,000	4.00	3.74[*]	7P5
2033	3,540,000	5.00	2.90	7E0	2043	3,535,000	4.00	3.81[*]	7Q3
2034	3,540,000	5.00	2.90[*]	7F7	2044	3,535,000	4.00	3.88[*]	7R1

$36,860,000
STATE OF VERMONT
General Obligation Refunding Bonds
2024 Series B

Due August 15	Principal Amount	Interest Rate	Yield	CUSIP[†] 924258	Due August 15	Principal Amount	Interest Rate	Yield	CUSIP[†] 924258
2025	$7,890,000	5.00%	3.16%	7S9	2030	$3,390,000	5.00%	2.92%	7X8
2026	3,445,000	5.00	3.11	7T7	2031	3,380,000	5.00	2.91	7Y6
2027	3,430,000	5.00	2.99	7U4	2032	3,360,000	5.00	2.90	7Z3
2028	3,420,000	5.00	2.97	7V2	2033	3,345,000	5.00	2.90	8A7
2029	1,870,000	5.00	2.94	7W0	2034	3,330,000	5.00	2.90	8B5

† Copyright, American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed by FactSet on behalf of The American Bankers Association. The CUSIP numbers above have been assigned by an independent company not affiliated with the State and are included solely for the convenience of the holders of the Bonds. None of the State, the Series B Underwriters or the Paying Agent is responsible for the selection or uses of the CUSIP numbers, and no representation is made as to their correctness on the Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

* Priced at the stated yield to the first optional call date of August 15, 2033 at a redemption price of 100%. See “THE BONDS – Redemption Provisions” herein.

STATE OF VERMONT

ELECTED OFFICERS

Name

PHILIP B. SCOTT, *Governor*

DAVID ZUCKERMAN, *Lieutenant Governor*

MICHAEL PIECIAK, *Treasurer*

SARAH COPELAND HANZAS, *Secretary of State*

DOUGLAS R. HOFFER, *Auditor of Accounts*

CHARITY R. CLARK, *Attorney General*

BOND COUNSEL
Locke Lord LLP
Boston, Massachusetts

FINANCIAL ADVISOR
Public Resources Advisory Group
Media, Pennsylvania

In making an investment decision, investors must rely on their own examination of the issuer and the terms of the offering, including the merits and risks involved. The securities described in this Official Statement have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

No dealer, broker, salesperson, or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement and, if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder, shall, under any circumstances, create any implication that there has been no change in the affairs of the State of Vermont since the date hereof.

This Official Statement contains statements that, to the extent they are not recitations of historical fact, constitute "forward-looking statements." In this respect, the words "estimate," "project," "anticipate," "expect," "intend," "believe" and similar expressions are intended to identify forward-looking statements. A number of factors affecting the State's financial results could cause actual results to differ materially from those stated in the forward-looking statements.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for any purpose, including for purposes of Rule 15c2-12 promulgated by the Securities and Exchange Commission.

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STATE OF VERMONT

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INTRODUCTORY STATEMENT

This Official Statement of the State of Vermont (the "State") is provided for the purpose of presenting certain information relating to the State in connection with the sale of $70,790,000 aggregate principal amount of its General Obligation Bonds, 2024 Series A (the "Series A Bonds"), and $36,860,000 aggregate principal amount of its General Obligation Refunding Bonds, 2024 Series B (the "Series B Bonds," and together with the Series A Bonds, the "Bonds").

All quotations from and summaries and explanations of provisions of laws of the State herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof and all reference to the definitive forms of the Bonds and their statutory authority.

Payment and Security for the Bonds

The Bonds will be general obligations of the State and the full faith and credit of the State will be pledged to the payment of the principal of and interest on the Bonds. See "THE BONDS – Security for the Bonds" herein.

THE BONDS

Description of the Bonds

The Bonds will be dated their date of delivery and will mature on each of the dates and years as set forth on the inside cover page of this Official Statement. The Bonds will bear interest from their date until their maturity at the rates per annum set forth on the inside cover page of this Official Statement.

The Bonds will be issued by means of a book-entry system evidencing the beneficial ownership therein in principal amounts of $5,000 or any integral multiple thereof on the records of the Depository Trust Company, New York, New York ("DTC") and its Participants. See "BOOK-ENTRY ONLY SYSTEM" herein.

Principal and premium, if any, when due, will be payable to each registered owner at the principal office of U.S. Bank Trust Company, National Association, Hartford, Connecticut, as Paying Agent (the "Paying Agent") upon presentation and surrender of the Bonds. Interest on the Bonds will be payable semiannually on February 15 and August 15, commencing August 15, 2024, by check or draft mailed by the Paying Agent to each registered owner, determined as of the close of business on the applicable record date, at its address as shown on the registration books of the State maintained by the Paying Agent. So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, principal of and interest on the Bonds will be paid in immediately available funds, directly to DTC or such nominee as registered owner of the Bonds. Transfer of principal and interest payments to Participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by Participants of DTC will be the responsibility of such Participants and other nominees of beneficial owners. The State will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants. See "BOOK-ENTRY ONLY SYSTEM" herein.

Authorization and Purpose

Series A Bonds

The Series A Bonds are authorized to be issued by the State Treasurer, with the approval of the Governor, for various capital purposes of the State pursuant to Chapter 13 of Title 32 of the Vermont Statutes Annotated ("General Obligation Bond Law") and pursuant to specific Acts of the General Assembly. The following statutes and Acts of the General Assembly set forth the capital purposes of the State for which the proceeds of the Series A Bonds (consisting of the aggregate par amount thereof plus original issue premium thereon, if any) are expected to be applied, provided that the State expects that under certain circumstances proceeds of the Series A Bonds, to the extent not expended for the purposes referenced below, may be expended for such capital projects as may be authorized by the General Assembly. See "STATE INDEBTEDNESS – State Indebtedness and Procedure for Authorization." Under State law, the State Treasurer is authorized to transfer unspent proceeds from the sale of bonds, including the Series A Bonds, from the projects for which such bonds were initially issued, to other capital projects of the State heretofore or hereafter authorized by the General Assembly.

Act 69 of 2023		
Section 3	Human Services	$150,000
Section 4	Commerce and Community Development	79,198
Section 5	Grant Programs	1,001,988
Section 7	University of Vermont	1,600,000
Section 9	Natural Resources	3,531,516
Section 10	Clean Water Initiatives	3,464,493
Section 11	Military	344,745
Section 13	Vermont Rural Fire Protection	125,000
Section 14	Vermont Housing Conservation Board	1,600,000
Section 15	Vermont Veterans Home	75,000
Section 16	State Buildings	3,492,456
Section 35	Public Safety	884,079
Act 180 of 2022		
Section 3	Human Services	842,093
Section 9	Natural Resources	537,480
Section 17	General Government	140,687
Act 50 of 2021 (as amended by Act 180 of 2022)		
Section 2	State Buildings	16,701,275
Section 3	Human Services	2,561,867
Section 4	Commerce and Community Development	630,979
Section 5	Grant Programs	1,981,361
Section 6	Agency of Education	49,549
Section 9	Natural Resources	6,829,488
Section 10	Clean Water Initiatives	7,304,621
Section 11	Military	1,169,400
Section 12	Public Safety	8,954,537
Section 13	Agriculture, Food and Markets	84,695
Section 14	Vermont Rural Fire Protection	100,000
Section 15	Department of Labor	1,196,344
Section 16	Vermont Housing Conservation Board	2,055,061
Section 17	General Government	133,335
Act 139 of 2020		
Section 12	Agency of Transportation	112

Act 42 of 2019 (as amended by Act 139 of 2020)		
Section 2	State Buildings	3,688,580
Section 3	Human Services	19,134
Section 5	Commerce and Community Development	2,773
Section 6	Grant Programs	255,995
Section 10	Natural Resources	1,107,841
Section 11	Clean Water Initiatives	1,564,685
Section 13	Public Safety	511,160
Section 19	General Government	30,201
Act 190 of 2018		
Section 8	Clean Water Initiatives	69,850
Section 10	Public Safety	72,916
Act 84 of 2017 (as amended by Act 190 of 2018)		
Section 2	State Buildings	904,658
Section 11	Clean Water Initiatives	218,307
Section 13	Public Safety	520,680
Act 26 of 2015 (as amended by Act 160 of 2016)		
Section 3	General Government	877,554
	Total:	**$77,465,693**

Series B Bonds

The Series B Bonds are authorized to be issued by the State Treasurer, with the approval of the Governor, pursuant to Section 961 of the General Obligation Bond Law (the "Refunding Bond Act"). The Series B Bonds are being issued to provide funds to refund certain of the State's outstanding general obligation bonds as described under "PLAN OF REFUNDING."

The Refunding Bond Act authorizes the State Treasurer, with the approval of the Governor, to issue general obligation bonds to refund all or any portion of one or more issues of general obligation bonds at any time after the issuance of the bonds to be refunded. The Refunding Bond Act further authorizes the State Treasurer to contract with a bank or trust company to serve as escrow agent for the proceeds of the refunding bonds.

The Refunding Bond Act provides that the portion of the proceeds of refunding bonds deposited with the escrow agent and required for the payment of the bonds to be refunded shall be irrevocably committed and pledged to such purpose and the holders of the refunded bonds shall have a lien upon such moneys and investments, which shall become valid and binding upon the issuance of the refunding bonds, without any further act (including, without limitation, the filing or recording of the escrow contract) and that the pledge and lien upon such moneys and investments shall become valid and binding against all parties having claims of any kind in tort, contract or otherwise, against the State, irrespective of whether such parties have notice thereof.

Security for the Bonds

The Bonds will be general obligations of the State and the full faith and credit of the State will be pledged to the payment of the principal of and interest on the Bonds.

Pursuant to State law, the Treasurer of the State is required to pay the principal of, and interest on, the Bonds as the same become due without further order or authority. The amount necessary each year to pay the maturing principal of, and interest on, the Bonds is required to be included in and made a part of the annual appropriation bill for the expense of State Government. State law requires that principal of, and interest on, the Bonds that may come due before appropriation for the payment thereof has been made are to be paid from the General Fund, the Transportation Fund or other applicable special fund.

For the payment of principal of and interest on general obligation indebtedness, including the Bonds, the State has the power to levy taxes, including taxes on all taxable property and income in the State, without limitation as to rate or amount. For a description of the State's sources of revenues, see "STATE FUNDS AND REVENUES" and for a more complete discussion of the authorization of general obligation bonds and the provisions for payment thereof, see "STATE INDEBTEDNESS – State Indebtedness and Procedure for Authorization" herein.

Record Date

The record date for each payment of interest is the last business day of the month preceding the interest payment date, provided that, with respect to overdue interest or interest on any overdue amount, the Paying Agent may establish a special record date. The special record date may not be more than twenty (20) days before the date set for payment. The Paying Agent will mail notice of a special record date to the registered owners at least ten (10) days before the special record date.

Redemption Provisions

The Series A Bonds maturing on and prior to February 15, 2033 will not be subject to redemption prior to maturity. The Series A Bonds maturing after February 15, 2033 will be subject to redemption prior to maturity, at the option of the State, on and after August 15, 2033, either in whole or in part at any time and by lot within a maturity, at a redemption price of 100% of the principal amount of the Series A Bonds to be redeemed, plus accrued interest to the date set for redemption.

The Series B Bonds will <u>not</u> be subject to redemption prior to maturity.

Selection of Bonds to be Redeemed in Partial Redemption

If less than all of the Bonds of a particular series and maturity and bearing interest at a particular interest rate are called for redemption, the applicable Bonds within such series and maturity to be redeemed will be selected by DTC or any successor securities depository pursuant to its rules and procedures or, if the book-entry system is discontinued, will be selected by the State by lot or in any customary manner as the State in its discretion may determine.

Notice of Redemption

Notice of redemption of the Bonds, specifying the maturities, CUSIP numbers and dates of the Bonds to be redeemed, the redemption date, the redemption prices, expressed as a percentage of the principal amount, and the place or places of payment of the redemption price and the numbers and portions of the Bonds to be redeemed, shall be mailed, postage prepaid, by the Paying Agent (at the direction of the State) not more than 60 days and not less than 20 days prior to the date set for redemption to the registered owners of any Bonds or portions thereof to be redeemed, at their last addresses appearing on the registry books kept by the Paying Agent. Failure to mail such notice to the owner of any Bond will not affect the redemption of any other Bonds. If at any time of notice of any optional redemption of Bonds moneys sufficient to redeem all of such Bonds shall not have been deposited with the Paying Agent, then the notice of redemption may state that it is conditional on the deposit of sufficient moneys with the Paying Agent by the redemption date, and if the deposit is not timely made the notice shall be of no effect. If moneys for the redemption are held by the Paying Agent on the redemption date and if notice of the redemption shall have been duly mailed, then from and after the redemption date interest on the Bonds (or the portions thereof) called for redemption shall cease to accrue.

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PLAN OF REFUNDING

The Series B Bonds are being issued for the purpose of providing funds to refund certain of the State's general obligation bonds (the "Refunded Bonds"). The Refunded Bonds will consist of the State's general obligation bonds listed in the following table:

Refunded Bonds

Series	Maturity Date	Interest Rate	Amount to be Refunded	Redemption Date	Redemption Price
2014 Series A	8/15/2025	5.00%	$20,000	9/17/2024	100%
	8/15/2026	5.00	225,000	9/17/2024	100
	8/15/2027	5.00	125,000	9/17/2024	100
	8/15/2028	5.00	40,000	9/17/2024	100
			$410,000		
2014 Series B	8/15/2025	5.00%	$3,660,000	9/17/2024	100%
	8/15/2026	5.00	3,450,000	9/17/2024	100
	8/15/2027	5.00	3,550,000	9/17/2024	100
	8/15/2028	5.00	3,635,000	9/17/2024	100
	8/15/2029	5.00	2,140,000	9/17/2024	100
	8/15/2030	5.00	3,675,000	9/17/2024	100
	8/15/2031	5.00	3,675,000	9/17/2024	100
	8/15/2032	5.00	3,675,000	9/17/2024	100
	8/15/2033	5.00	3,675,000	9/17/2024	100
	8/15/2034	5.00	3,675,000	9/17/2024	100
			$34,810,000		
2014 Series C	8/15/2025	4.00%	$4,450,000	9/17/2024	100%

Upon delivery of the Series B Bonds, the State will enter into an Escrow Agreement (the "Escrow Agreement") with U.S. Bank Trust Company, National Association, Hartford, Connecticut, as Escrow Agent (the "Escrow Agent"). Upon receipt of the proceeds of the Series B Bonds, the Escrow Agent will deposit in the Escrow Fund established under the Escrow Agreement an amount that will be invested in direct obligations of the United States of America or obligations unconditionally guaranteed by the United States of America ("Government Obligations") maturing in amounts and bearing interest at rates sufficient to pay when due interest on and, on the redemption date, the outstanding principal of and redemption premium, if any, on the Refunded Bonds. The Escrow Fund, including the interest earnings on the Government Obligations, is pledged for the benefit of the holders of the Refunded Bonds.

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each series and maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct

Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard and Poor's rating of AA+. The DTC Rules applicable to Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners or, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds of a series and maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in Bonds of such series and maturity to be redeemed, unless other arrangements are made between DTC and the State.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the State as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and dividend payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the State or Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the State or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The State may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

So long as Cede & Co. is the registered owner of the Bonds, as nominee for DTC, references herein to Bondholders or registered owners of the Bonds (other than under the caption "TAX EXEMPTION") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Bonds.

When reference is made to any action that is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the Paying Agent to DTC only.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the State believes to be reliable, but the State takes no responsibility for the accuracy thereof.

The State cannot and does not give any assurance that DTC will distribute to Participants, or that Participants or others will distribute to Beneficial Owners, payments of principal of, interest and premium, if any, on the Bonds, or any other notice or that they will do so on a timely basis or will serve or act in the manner described in this Official Statement. The State is not responsible or liable for the failure of DTC or any Participant to make any payments or give any notice to a Beneficial Owner with respect to the Bonds or any error or delay relating thereto.

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STATE GOVERNMENT

Governmental Organization

The Constitution of Vermont provides for three branches of Government—the Legislative, the Executive and the Judicial. Vermont's statewide elected officers are the Governor, Lieutenant Governor, Treasurer, Secretary of State, Auditor of Accounts and the Attorney General. All are elected at general elections for a term of two years, and each may succeed himself or herself in office with no limitation on terms.

<u>The Legislative Branch</u>: The bicameral General Assembly of Vermont convenes biennially with an adjourned session in the biennium. The House of Representatives has 150 members and the Senate has 30 senators. Members of the House of Representatives and Senate are elected for two-year terms in each general election. Bills for the raising of revenues must originate in the House of Representatives but may be amended or rejected by the Senate.

<u>The Executive Branch</u>: All statewide elected officers reside in the Executive Branch. The Governor is responsible for the faithful execution of all laws enacted by the General Assembly and the management of the major departments and agencies of the Executive Branch, briefly described as follows:

(1) Agency of Administration: The Agency of Administration centralizes and integrates certain administrative and fiscal functions and activities of State government. The Agency is composed of the Office of the Secretary, the Department of Taxes, the Department of Finance and Management, the Department of Human Resources, the Department of Libraries, the Department of Buildings and General Services, and the Office of Racial Equity.

(2) Agency of Transportation: The Agency of Transportation consists of three functional divisions that are responsible for the planning, design, construction, maintenance and operation of state highways, railroads, and airports; and the Department of Motor Vehicles, which is responsible for the administration of motor vehicle registrations, driver's licenses and other motor vehicle regulations. The Agency of Transportation is responsible for the administration and collection of the motor vehicle purchase and use and motor fuel taxes as well as motor vehicle registrations and renewals and driver's license fees.

(3) Agency of Education: The Agency of Education is responsible for identifying the educational goals of public schools, evaluating the program of instruction in public schools, supervising and directing the execution of the laws relating to public schools, and supervising the expenditure and distribution of all money appropriated by the State for public elementary and high schools. A separate entity from the Agency of Education on which the Secretary of Education serves as a non-voting member, the State Board of Education evaluates education policy proposals, including those presented by the Governor or the Secretary, engages local school board members and the broader education community, establishes and advances education policy for the State and has the power to establish such advisory commissions as in the judgment of the Board will be of assistance to it in carrying out its duties. The Board also has authority, among other things, to enter into agreements with school districts, municipalities, states and the United States for services, educational programs, or research projects; and to examine and determine all appeals made to it. The Board consists of ten members appointed by the Governor, with the advice and consent of the Senate.

(4) Agency of Natural Resources: The Agency of Natural Resources consists of the Office of the Secretary, the Department of Fish and Wildlife, the Department of Forests, Parks and Recreation, and the Department of Environmental Conservation. While not part of the Agency, the Natural Resources Board provides review and permitting for land use and development.

(5) Agency of Commerce and Community Development: The resources of the Agency of Commerce and Community Development are utilized to foster continued improvement in the Vermont economy and to assist Vermont communities in their efforts to plan for the future. The Agency is composed of the Department of Economic Development, the Department of Housing and Community Development, the Department of Tourism and Marketing, and the Office of the Chief Marketing Officer.

(6) Agency of Human Services: The Agency of Human Services (AHS) administers the programs responsible for meeting the human service needs of Vermont citizens. The Agency is composed of the Office of the Secretary, and the Department of Disabilities, Aging and Independent Living, the Department of Corrections, the Department of Health, the Department of Mental Health, the Department for Children and Families, and the Department of Vermont Health Access.

(7) Agency of Digital Services: The Agency of Digital Services (formerly the Department of Information and Innovation) is about providing cost-effective, customer-focused IT services and solutions to enable better government. At the core of the Agency, the Divisions of Shared Services, Data, Security, Enterprise Architecture and Project Management help ensure information technology services are standardized, coordinated, secure and cost-effective across Vermont State government.

(8) Other Agencies and Departments: There are a number of other agencies and departments responsible for other service areas within the Executive Branch. Some include: the Agency of Agriculture, Food and Markets; the Department of Financial Regulation (formerly Banking, Insurance, Securities and Health Care Administration); the Department of Labor; the Department of Liquor and Lottery (formerly the Department of Liquor Control and the Lottery Commission); the Military Department; the Defender General; the Department of Public Safety; the Department of Public Service, the Public Utility Commission (formerly the Public Service Board), the Green Mountain Care Board; the Community Broadband Board; and the Cannabis Control Board.

<u>The Judicial Branch</u>: The Judicial Branch of the State is composed of a Supreme Court, a Superior Court consisting of 14 units, one corresponding to each county, and a Judicial Bureau. The Supreme Court has a Chief Justice and four Associate Justices and is the appellate court for the State. The Superior Court has five jurisdictional divisions: Civil, Criminal, Environmental, Family and Probate. By statute, 35 judges sit in the Civil, Family and Criminal divisions of the Superior Court, including a Chief Superior Judge. The Family Division has five magistrates. The Environmental Division has two judges and exercises statewide jurisdiction within the Superior Court. All judges and magistrates are appointed by the Governor with the advice and consent of the Senate for six-year terms. At the end of each six-year term, the question of their continuance in office is submitted to the General Assembly in a process known as retention. The Judicial Bureau has a hearing officer appointed by the Chief Superior Judge. The citizens of each county elect two Assistant Judges to serve for a term of four years. In addition to their statutory duty to sit on certain cases with the Superior Court judge in the Civil and Family divisions, an elected Assistant Judge, with appropriate training and certification, may also be assigned to serve as a Hearing Officer in the Judicial Bureau and to conduct uncontested divorces in the Family Division. The Probate Division has a probate judge in each of the 14 units of the Superior Court. The citizens of each county elect one probate judge to serve in the Probate Division for a term of four years.

There are 14 counties in the State. Their administration consists of two Assistant Judges elected from each county. Other county level officials include a State's Attorney and a Sheriff, each of whom is elected every four years. County Clerks and County Treasurers are appointed by the Assistant Judges. County government is more titular than executor in that the major responsibilities and functions of government pass directly from the State to the cities and towns.

COVID-19 GLOBAL PANDEMIC

Background

On March 10, 2020, the Governor declared a State of Emergency in Vermont due to the COVID-19 pandemic (the "COVID-19 pandemic" or "pandemic") and on March 24, 2020 issued a "Stay at Home" directive initially through April 15, 2020 (which was subsequently extended to June 15, 2020). Commencing in May 2020, the Governor began to issue orders allowing for the gradual reopening of the Vermont economy, though still subject to limits and restrictions that inhibited economic activity and adversely affected State revenues. The State of Emergency in Vermont officially expired on June 15, 2021.

Economic, Fiscal and Budgetary Impacts

Economic Impact. Commencing February 2020, the State began to experience the harsh, negative impacts of the COVID-19 pandemic. In response, the State instituted a series of public health and safety measures to address the pandemic similar to what many other states did across the country. The pandemic and the necessary public health measures taken to address it had significant negative impacts on major parts of the Vermont economy—particularly those relating directly and indirectly to the State's hospitality industry (including the lodging and eating and drinking sub-sectors and its arts, entertainment, and recreation industries)—due to business closures, rising unemployment as a result thereof, lost or deferred tax revenues and reduced or limited travel into and within the State. At the peak of the pandemic in April 2020, the State had a seasonally-adjusted unemployment rate of 14.0%, which was 11.9 percentage points above the State's pre-pandemic unemployment rate of 2.1% in January 2020.

In Spring 2020, the State announced a series steps designed to support "hard-hit" State businesses, including providing tax filing and payment forbearance for certain Sales and Use Tax and Meals and Rooms Tax taxpayers who could demonstrate that they were negatively impacted by the COVID-19 pandemic and the public health measures required to address it. The State also instituted a 90-day moratorium on revenue receipts for motor vehicle registrations, and certain licenses and fees in the Transportation Fund. The State also accepted and mirrored the extraordinary actions of the U.S. Department of Treasury to delay the Personal Income Tax and Corporate Income Tax filing and tax payment "due dates" for various required filings and tax payments from their usual timing during the March through June period to July 15th. These actions helped businesses preserve cash and survive the harsh liquidity challenges caused by the pandemic.

The State has largely moved past the worst effects of the COVID-19 pandemic. Through March 2024, State labor market data showed that there were roughly 1,600 more employed State residents (using data from the State's household survey) in Vermont as compared to the State's pre-recession peak in November 2019. According to the State's survey of business establishments, however, State labor markets had recovered 95.4% of the 67,200 nonfarm payroll jobs lost during the pandemic-induced downturn, leaving 3,100 nonfarm payroll jobs or (4.6% of the State's nonfarm payroll job loss total during the pandemic) left to recover. The State's total nonfarm payroll job count as of March 2024 was 1.0% below the nonfarm payroll job count as of February 2020. As of March 2024, four New England states (Connecticut, Maine, New Hampshire, and Rhode Island) have completed their respective state labor market recoveries (based on their nonfarm payroll job counts as of March 2024), while Vermont and Massachusetts had more nonfarm payroll jobs left to recover as of March 2024. See "STATE ECONOMY – Economic Activity" herein.

Fiscal Impact. The economic disruption of the COVID-19 pandemic, the public health measures taken to combat it, and the delay in the filing and payment "due dates" for the Personal Income and Corporate Income taxes and other state tax-fee forbearance measures resulted in decreased State revenues in fiscal year 2020 as compared to budget expectations that were enacted prior to the onset of the pandemic. Starting in fiscal year 2021, however, and in each fiscal year thereafter to the present, the State has consistently achieved revenues in excess of consensus expectations. See "STATE FUNDS AND REVENUES – GAAP-Based Fund Results" and "RECENT GENERAL FUND, TRANSPORTATION FUND AND EDUCATION FUND OPERATING RESULTS."

Budgetary Impact. Federal pandemic assistance had a large budgetary impact during fiscal years 2021, 2022 and 2023 with aggregate COVID-related federal funds allocated to the State totaling approximately $3.04 billion (or approximately $4,696 per capita based on U.S. Census population estimates for July 2022). While this certainly represents a significant sum, the expenditure of these funds is restricted by federal rules limiting State use to COVID-related expenditures, and forbidding its use by the State for revenue replacement (even if the revenue loss was attributable to the pandemic). Consequently, while federally funded pandemic assistance to the State has played a significant role in offsetting incremental expenses related to the pandemic, as well as in providing economic support for adversely affected constituents, these funds have not been a structural component of base budget expenditures. Indeed, federal pandemic assistance programs that constitute economic assistance to individuals and businesses had a much greater State budgetary impact (by ensuring the stability of tax revenues) than any direct support received by the State for base budget expenses.

Federal Fiscal Aid

CARES Act. The State received several sources of federal funding to help cover the unexpected costs incurred by the State due to COVID-19. The United States government took significant legislative and regulatory actions and implemented measures to mitigate the broad disruptive effects of the COVID-19 pandemic. The $2 trillion Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which became law on March 27, 2020, was the first of these legislative actions to address the crisis created by the COVID-19 pandemic and included among its relief measures direct aid for states and municipalities, including the State.

The CARES Act contained $1.25 billion in CRF money for Vermont. The CARES Act funds were utilized to cover emergency expenses of the State incurred due to the response to the COVID-19 pandemic, as well as to provide economic relief to Vermont small businesses and non-profits that have had COVID-19 related expenses or have lost revenue as a result of the pandemic. The CARES Act provided that CRF funds may be used for costs incurred in connection with responding to COVID-19 between March 1, 2020 and December 30, 2021, and the funds also can be used to cover any State match portion of costs reimbursed by the Federal Emergency Management Agency ("FEMA"). In addition to many other provisions, the CARES Act also provided for federal stimulus payments of $1,200 per individual ($2,400 for a joint return) with a phase out after a certain adjusted gross income level.

Coronavirus Relief Fund ("CRF") appropriations were passed in Act 120 of 2020, a special appropriations bill enacted for the first quarter of fiscal year 2021 in response to the pandemic; Act 154 of 2020, the fiscal year 2021 appropriations bill; Act 3 of 2021, the fiscal year 2021 Budget Adjustment Act; Act 9 of 2021; and Act 74 of 2021. CRF appropriations were expended in fiscal years 2020 through 2022 for a variety of purposes, including business assistance, housing, telecommunications connectivity, municipal assistance, agriculture and forestry, and healthcare and human services.

COVID Relief Act. On December 27, 2020, the $900 billion Coronavirus Response and Relief Supplemental Appropriations Act (H.R. 133) (the "COVID Relief Act") was signed into law. While the COVID Relief Act did not include direct aid for states and municipalities, it did include an additional federal stimulus payment of $600 per individual ($1,200 for a joint return) with a phase out after a certain adjusted gross income level, which provided further indirect support for the Vermont economic recovery.

ARP. On March 11, 2021, the American Rescue Plan Act of 2021 (H.R. 1319) (the "ARP"), a $1.9 trillion COVID-19 relief package, was signed into law. The ARP includes $350 billion in additional CRF aid for state and local governments, including the State, along with additional funding for other areas like education, rental assistance and transit. The ARP also includes $10 billion for Coronavirus Capital Projects Fund, which will provide for payments to states, territories and tribal governments for critical capital projects that would directly enable work, education and health monitoring, including remote operations, in response to the pandemic. The ARP contains a broad definition of allowable uses, including lost revenue (but limited to revenue loss due to the pandemic relative to the fiscal year prior to the start of the pandemic), negative economic impact of the pandemic, and necessary investments in water, sewer or broadband infrastructure. Notably, ARP funds may not be used to offset tax cuts or delay a tax, nor can these funds be deposited into a pension fund. The ARP requires all allocated funds to be used by December 31, 2024. The ARP also includes additional grant funding for state education agencies to assist with school reopening plans and addressing learning loss, transportation and infrastructure assistance (including funding for vaccination efforts), and an additional round of direct stimulus checks to households in the amount of $1,400 per individual ($2,800 for a joint return) with a phase out after a certain adjusted gross income level.

The State appropriated ARP State Fiscal Recovery Funds in the fiscal year 2022 and 2023 appropriations and budget adjustment acts for expenditure through fiscal year 2025, with about 70% expected to be used for infrastructure including housing, water/sewer and broadband, and about 30% for individual and business assistance.

In total, through fiscal year 2023, COVID-related allocations of federal funds to the State include the following (expenditures through fiscal year 2023 in parentheses). CRF: $1.250 billion (all expended); ARP State Fiscal Recovery Funds: $1.05 billion ($389.9 million expended); ARP Local Fiscal Recovery Funds State pass-through: $180.0 million; ARP Local Fiscal Recovery Funds direct to metropolitan areas: $20.7 million; Capital Projects Fund: $110.0 million; Homeowner Assistance Fund: $50.0 million ($43.6 million expended); Emergency

Rental Assistance 1 (ERA1): $200.0 million ($31.2 million returned to the U.S. Treasury; $168.5 million expended), Emergency Rental Assistance 2 (ERA2): $152.0 million ($139.5 million expended); and State Small Business Credit Initiative: $57.9 million allocated for loan and capital investment programs managed by the Vermont Economic Development Authority.

Impact of Federal Aid on the State. Over the course of calendar years 2020 and 2021, the State directly and indirectly received a disproportionately large share of federal fiscal pandemic relief-assistance funds from the CARES Act, the COVID Relief Act and ARP, on a per capita basis. Aggregate CRF appropriations and other federal pandemic financial assistance aid—including payments made directly to households and businesses as well as funds received by the State—totaling more than $10.05 billion or greater than $16,100 per State resident. That level of federal support amounts to just under 17% of the entire current dollar annual output of goods and services for the State economy during calendar years 2020 and 2021,[1] and represents a total that is more than five times the annual pre-pandemic, current dollar value of total output for the entire Accommodations and Food Services sector portion of the Vermont economy—which was one of the hardest hit parts of the State economy.[2]

This huge boost from the federal fiscal pandemic relief-assistance dollars, along with large amounts of federal fiscal pandemic relief also flowing to many of the states surrounding Vermont, constituted a large, positive economic driver that underpinned much of the recovery in economic activity across the State and the entire New England region through fiscal year 2023 and continuing into fiscal year 2024. It also allowed the State to maintain State revenue flows to a much higher degree than would have otherwise been the case. Considering the significant, positive multiplier effects typically associated with this type of deficit-financed federal fiscal spending, it is likely that these dollars will continue to push the State's economy forward for significant parts, if not all, of calendar years 2024 and 2025.

STATE ECONOMY

General

Vermont, which is known as the Green Mountain State, was first settled in 1666 when the French built Fort St. Anne on Isle LaMotte in Lake Champlain. The first English settlement was in 1690 at a location that is now the southern Vermont town of Vernon. Vermont ratified the United States Constitution on January 10, 1791 and joined the Union as the fourteenth state on March 4 of the same year. Rural in character, Vermont measures 9,615 square miles (including land and water area), ranking the State 45th in terms of land and water area among the 50 states. In terms of land area only, Vermont's 9,217 square miles ranks it 43rd among the 50 states. Vermont's population as measured by the last decennial Census on April 1, 2020 was 643,077, ranking the State 49th among the fifty states—unchanged from the 2010 and 2000 Censuses (U.S. Bureau of the Census). The State capital is Montpelier, with a population of 8,074 as of April 1, 2020. The State's largest cities and towns as of the 2020 Census were the City of Burlington, population 44,743; the Town of Essex, population 22,094; the City of South Burlington, population 20,292; the Town of Colchester, population 17,524; the City of Rutland, population 15,807; and the Town of Bennington, population 15,333.

Demographic Trends

Mid-year estimates from the U.S. Bureau of the Census for 2023 (the most recent data available) show that Vermont's population increased by an estimated 354 persons between July 1, 2022 and July 1, 2023, representing a 0.1% rate of population growth. In comparison, the U.S. as a whole experienced an estimated 0.5% rate of increase in the nation's resident population, and the New England region experienced a 0.3% rate of population increase. Over the 10-year period between July 1, 2010 and July 1, 2020, Vermont had an estimated growth of 17,007 resident persons or an average yearly rate of 0.3% per year. This growth experience was somewhat slower than the 0.4% rate of growth per year for the New England region and the 0.7% national growth rate over the same 2010-2020 period. The resident population change experienced in Vermont over the past 10 years is slower than that of the 1970s and 1980s, as the State's population has aged and fertility rates have declined. This is consistent with

[1] Using calendar year 2020 and 2021 current dollar output estimates from the Bureau of Economic Analysis of the U.S. Department of Commerce; see https://www.bea.gov/data/gdp/gdp-state.

[2] Using the pre-pandemic 2019 output estimates from the Bureau of Economic Analysis of the U.S. Department of Commerce for this sector.

declining birthrates and slow population growth across the New England region as a whole, and is consistent with national declining birth rate trends that have been characteristic of key demographic categories that make up the State's population.

Table 1
Comparative Population Growth
Vermont, New England, United States
1970–2023

	----------Vermont----------		----------New England[1]----------		----------United States---------	
Year	Population[2] (in Thousands)	Annual Percent Increase/ Decrease Over Preceding Period[3]	Population[2] (in Thousands)	Annual Percent Increase Over Preceding Period[3]	Population[2] (in Thousands)	Annual Percent Increase Over Preceding Period[3]
2023	647	0.1%	15,160	0.3%	334,915	0.5%
2022	647	0.0	15,121	0.1	333,271	0.4
2021	647	0.6	15,106	0.3	332,049	0.2
2020	643	3.0	15,074	1.5	331,512	1.0
2019	624	(0.1)	14,850	0.1	328,330	0.5
2018	625	(0.1)	14,840	0.2	326,838	0.5
2017	625	0.1	14,807	0.3	325,122	0.6
2016	624	(0.2)	14,765	0.2	323,072	0.7
2015	626	0.0	14,735	0.2	320,739	0.7
2014	626	(0.1)	14,708	0.4	318,386	0.7
2013	627	0.0	14,649	0.4	316,060	0.7
2012	626	(0.1)	14,594	0.4	313,878	0.7
2011	627	0.2	14,533	0.4	311,583	0.7
2010	626	0.3	14,470	0.4	309,322	0.9
2000	610	0.8	13,950	0.5	282,162	1.2
1990	565	1.0	13,230	0.7	249,623	0.9
1980	513	1.4	12,372	0.4	227,225	1.1
1970	446	--	11,878	--	203,799	--

SOURCE: U.S. Department of Commerce, Bureau of the Census.

1 The New England states are: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont.
2 All population estimates are as of July 1 of the year indicated. Data from 2020-2023 is Vintage2023; data from 2010-2019 is Vintage2020.
3 For 2011 through 2023, the annual percentage increase is calculated versus the previous year. For 1980, 1990, 2000, and 2010 the annual percentage increase is the average annual increase during the preceding ten-year period.

Data from the U.S. Bureau of the Census indicate that in 2022 (the latest data available) the median age of the Vermont population was 43.2 years, 3.3 years older than the national average median age of 39.9 years. Among the various age groups, Vermont had a proportionally higher concentration of persons in the 18 years and older age category (at 82.3% of the State's population versus 80.9% of New England's population and 78.3% of the total population of the United States) in 2022. Vermont had a below average age concentration in the under 5 years age category (at 4.3% of the State's total population) relative to both the New England average (at 4.8% of the New England regional population) and the U.S. average (at 5.6% of the total U.S. population)—reflecting its lower birth rates. The percentage of Vermont's population in the over 65 years age category (at 21.6% of the State population) in 2022 was higher than that for the U.S. population as a whole (at 17.3% of the U.S. population overall) in 2022, and the New England average (at 18.9% of the total). Vermont had slightly more of its population in the 85 years and older category (at 2.2% of the State total) relative to the U.S. population (at 1.9% of the U.S. population) in 2022, and on par with the New England region overall (at 2.2% of the New England regional population) in 2022.

As reflected in Table 2 below, the Vermont population in 2022 (the latest data available) had a significantly higher level of educational attainment than the U.S. population as a whole according to the latest data from the U.S. Bureau of the Census (2022 American Community Survey).

Table 2
Educational Attainment Vermont and U.S.
Persons Aged 25 Years and Over
As of Calendar Year 2022

Level of Education	Percent of Vermont Population	Vermont Rank in U.S.	Percent of U.S. Population
HIGH SCHOOL:			
High School Graduate or More	95.0%	1st	89.6%
COLLEGE:			
Bachelor's Degree or More	44.2%	4th	35.7%

SOURCE: U.S. Department of Commerce, Bureau of the Census; 2022 American Community Survey.

Data from the U.S. Bureau of the Census for 2020 (the latest data available) also indicate that Vermont's population remains primarily rural in character. A total of 64.9% of the State's population lived outside urban areas of the State—the highest percentage among the 50 states. Vermont's percentage of persons living outside of urban areas as of April 1, 2020 was over three times the national and New England average percentages and over four times the average percentage for the northeastern United States.

Table 3
Urban vs. Rural Area Populations
As of April 1, 2020

	Urban Population[1]		Rural Population	
	Total (in Thousands)	Percentage	Total (in Thousands)	Percentage
United States	265,187	80.0%	66,312	20.0%
Northeast[2]	48,397	84.0	9,312	16.0
New England	12,082	79.9	3,034	20.1
Vermont	226	35.1	417	64.9

[1] Between the 2010 Census and the 2020 Census, the Bureau of the Census of the U.S. Department of Commerce changed the definition of an urban area. For the 2020 Census, the definition of a "qualifying urban area" was based on areas with a minimum threshold of 2,000 housing units or 5,000 people. For the 2010 Census, the Bureau of the Census defined urban areas based only on "a minimum threshold of 2,500 people."
[2] The northeast states include all six of the New England states and the states of New York, New Jersey and Pennsylvania.
SOURCE: U.S. Department of Commerce, Bureau of the Census, Geography Division.

Property Valuation

The Vermont Department of Taxes, through its Division of Property Valuation and Review, annually conducts a study of all the grand lists (i.e., tax rolls) prepared by the municipalities in the State. The purpose of this study, commonly known as the "Equalization Study," is to derive estimates of the fair market value of all of the property in the State. These values are then used as one of the primary factors to determine each municipality's school property tax rates. Since most municipalities' grand lists are not at the statutorily required 100 percent fair market value standard in any given year, the study attempts to bring all municipalities' grand lists to 100 percent of market value, thereby "equalizing" the tax rolls statewide.

In general, equalized property values were determined by comparing grand list values to real estate sales or property appraisals and deriving the ratio representing the level of appraisal for each municipality. The resulting estimates of full property value in each municipality were then aggregated to derive an estimate of the market value of all taxable property in the State.

Changes to Vermont law due to Act 178 of the 1996 Session of the General Assembly (changing the agricultural and forest taxation program to reflect the value of property based on its "Current Use") and Act 60 of the 1997 Session (changing the method of education financing in Vermont) altered the nature of determining the value of taxable property under Vermont law. The changes had the following effects: (1) the Current Use program requires municipalities to assess property enrolled in that program at their "use" value as opposed to market value; and (2) the definition of taxable property now reflects only the total fair market value or use value of property that is subject to taxation for school purposes.

The State's Current Use program provides for property taxation of active agricultural land, farm buildings, conservation and managed forest land at their productive use value rather than fair market value. Use value is almost always lower than market value resulting in lower values included in the grand lists. Changes in the composition of the grand list under Act 60 also reduced the value of total taxable property for funding schools. This resulted primarily from the exemption of personal property such as machinery and equipment from the education property tax.

Table 4 sets forth the fair market value of all taxable property in the State as certified by the Division of Property Valuation and Review from 1990 to 1995 and comparable estimates for tax years 1997 through 2023 (the most recent data available). The State experienced a significant increase in estimated fair market value between 2002 and 2008 largely due to strong price appreciation in residential, commercial, and second home markets. Residential price appreciation, second home price appreciation, and valuations for some commercial properties first slowed and then declined during the 2007-2009 national economic recession. Since the most recent recessionary housing price trough, values have recovered in Vermont and have continued to increase despite the sharp economic downturn in early calendar year 2020 caused by the COVID-19 pandemic.[3] The estimates from 1997–2023 include an estimate of the fair market value of property enrolled in the Current Use Program. The current use values have been estimated by, but have not been certified by, the Division of Property Valuation and Review of the Vermont Department of Taxes. The estimates are based on a weighted average of the statewide municipal Common Level of Appraisal (CLA) and are not a calculation at the parcel or town-wide level.

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3 During the period, housing prices in Vermont as measured by the Federal Housing Finance Agency (FHFA) Home Price Index increased by 24.5% from their last cyclical low during the second quarter of calendar year 2012 through the fourth quarter of calendar year 2020. The FHFA Housing Price Index for Vermont was up by 70.2% from its last cyclical price peak in the first quarter of calendar year 2008 through the fourth quarter of calendar year 2023. The Vermont house price increase as measured by the FHFA Index since the previous cyclical peak through the fourth quarter of calendar year 2023 ranked second highest in the New England region, after Maine (up 81.7% since its last cyclical peak), although New Hampshire was a close third (up by 70.0% since its last cyclical peak). Over the past year through the fourth quarter of calendar year 2023, as house price increases have begun to moderate, Vermont house prices as measured by the FHFA Index were up by 10.3%, ranking the State third highest among the six New England states (behind Rhode Island at 10.6% and Connecticut at 10.5%) and making it one of only four states nationally with a greater than 10.0% year-over-year FHFA house price change during that time frame. During the upswing in house prices since the onset of the pandemic covering the three-year period ended in the fourth quarter of 2023, the increase in the FHFA Index for Vermont ranked second among the New England states in the rate of the FHFA house price index increase for the period, at 47.3%, trailing only the 48.4% increase for Maine.

Table 4
Equalized Property Values
1990–2023

Equalization Date As of April 1,	Fair Market Value
2023**	$124,857,949,149
2022**	110,026,239,288
2021**	98,467,909,075
2020**	92,176,067,485
2019**	89,408,479,430
2018**	87,143,027,744
2017**	85,377,824,901
2016**	83,996,280,491
2015**	82,906,587,230
2014**	81,826,687,038
2013**	81,163,612,629
2012**	82,568,773,344
2011**	83,636,887,446
2010**	85,260,877,760
2009**	86,705,197,176
2008**	84,799,241,954
2007**	79,214,611,562
2006**	72,513,809,335
2005**	64,306,356,880
2004**	56,756,181,626
2003**	51,168,536,723
2002**	46,929,258,396
2001**	43,942,727,721
2000**	41,358,590,703
1999**	39,053,369,590
1998**	38,967,094,160
1997**	38,399,375,459
1995*	37,558,139,758
1993*	36,471,723,016
1992	36,766,102,513
1991	35,286,508,007
1990	31,300,748,717

* Beginning in 1993, the Fair Market Value and Assessed Value of all taxable property in the State were equalized every two years. Beginning in 1998, equalization studies were again conducted annually by the Division of Property Valuation and Review of the Vermont Department of Taxes.

** Estimated, based on an estimate for the difference between the Fair Market Value and the Use Value of property enrolled in the Current Use Program. The estimated fair market value of property exempted due to enrollment in the Current Use Program was $744.8 million in 1997, $792.3 million in 1998, $816.7 million in 1999, $866.1 million in 2000, $924.4 million in 2001, $1,157.9 million in 2002, $1,205.0 million in 2003, $1,661.1 million in 2004, $1,853.7 million in 2005, $2,155.0 million in 2006, $2,458.8 million in 2007, $2,726.6 million in 2008, $2,938.6 million in 2009, $3,028.7 million in 2010, $2,983.0 million in 2011, $3,003.0 million in 2012, $3,030.4 million in 2013, $3,040.2 million in 2014, $2,988.5 million in 2015, $2,992.8 million in 2016, $3,016.1 million in 2017, $3,034.8 million in 2018, $3,011.7 million in 2019, $3,004.9 million in 2020, $2,994.7 million in 2021, $3,018.4 million in 2022, and $3,155.8 million in 2023.

SOURCE: Vermont Tax Department, Division of Property Valuation and Review, Annual Report.

Economic Activity

The opinions set forth in this section are provided by Economic & Policy Resources, Inc. ("EPR") based upon such firm's independent evaluation of economic information and trends in the State and the United States. The firm serves as a consultant to the Agency of Administration with responsibilities as to matters of the analysis of economic trends and economic forecasting, as well as providing technical forecasting services to the State with respect to the various short-term and longer-term consensus revenue estimating processes performed pursuant to Vermont statute.

The description of the economic forecast for the United States and Vermont is based on the same underlying forecast contained under "The Moody's Analytics National Economic Forecast Assumptions" herein that is provided by Moody's Analytics of West Chester, Pennsylvania, as adjusted by the consensus revenue forecasting process between EPR, as the State economist for the Agency of Administration, and Kavet, Rockler and Associates ("Kavet," and together with EPR, the "State Economists"), as the State economist for the Vermont Legislative Joint Fiscal Office ("JFO"). When available, the consensus forecast utilizes the State economic forecast developed as part of the State's participation in the New England Economic Partnership ("NEEP"), a regional, non-profit economic forecasting group affiliated with leading private sector businesses in New England, major academic and financial institutions in the region, and the Federal Reserve Bank of Boston. NEEP forecasts for the State and the other New England states have been developed and published only intermittently since calendar year 2016. Because of the reduced availability of the NEEP annual economic forecasts for Vermont and the other states in the New England region, the State economic forecast through calendar year 2026 as part of the State's consensus forecasting process was developed using an online modeling capability provided by Moody's Analytics as jointly subscribed to by the JFO and the Agency of Administration. The online forecasting capability from Moody's Analytics allows timely, customized State forecasts with modeling capability similar to the historic capability provided through the NEEP organization. This more Vermont-focused forecasting approach, however, does not include forecasted regional comparison data for the individual New England states, which was typically available for the State with its participation in the NEEP forecasting group. The State macroeconomic forecast (described below) was developed cooperatively by the Administration through its association with EPR and the JFO through its association with Kavet. For more information on the consensus revenue forecasting process, see "REVENUE ESTIMATES" herein.

The U.S. Economic Situation: The State's most recent updated consensus economic and revenue forecast was completed in an environment where the national and state economies were still contending with the macroeconomic effects of the ongoing policy clash between fiscal and monetary policy. On one side is the still on-going boost to U.S. economic activity provided by backend spending associated with the federal government's historically unprecedented, largely deficit-financed, financial assistance that was provided to offset the negative economic effects caused by the short, but harsh recession triggered by onset of the COVID-19 pandemic. On the other side is the historically fast increase in short-term interest rates and other policy tightening measures undertaken by the Federal Reserve as it seeks to fight the runup in the U.S. inflation rate that the federal financial pandemic assistance underpinned. Over the first two years of recovery following the onset of the pandemic, as the rate of U.S. inflation surged, the Federal Reserve aggressively raised short-term interest rates from nearly zero to 5.50%, their highest level in more than 20 years. So far, the Federal Reserve's efforts to bring down inflation without causing unnecessary damage to the national economy and its labor markets have been reasonably successful. The U.S. economy slowed significantly, but without a significant or harmful increase in unemployment, while the U.S. rate of inflation has declined by roughly two-thirds from 7.1% year-over-year high in June 2022 (using the Personal Consumption Expenditures Price Index or "PCE" seasonally-adjusted) and by 61.3% (using the narrower Consumer Price Index or "CPI-U" seasonally adjusted) from its 9.0% year-over-year peak rate of increase also in June 2022. However, the rate of decline in both principal measures of U.S. inflation in recent months has slowed, and over the past two months prices have firmed and even increased again slightly. This recent disappointing price change experience and solid U.S. labor market reports over the past three months have raised concerns that inflation may be settling in at a rate closer to 3.0% year-over-year rather than the Federal Reserve's long-term goal of 2.0%. That concern, in turn, has subsequently changed expectations regarding when and how fast the Federal Reserve will begin to make a policy pivot and begin appropriately timed and scaled prospective short-term interest rate reductions from current levels.

Although the progress to reduce the U.S. inflation rate over the past two years has been impressive overall, recent inflation statistics over the past three months have been disappointing as prices firmed. The latest inflation data, in fact, raise the possibility that there could be two alternative scenarios with respect to the timing and aggressiveness of the Federal Reserve's prospective anti-inflation policy pivot. Under the first scenario, which envisions that the inflation rate continues to make further progress down towards the Federal Reserve's long-term 2.0% target but does so at a more uneven and somewhat slower rate than was anticipated just a few months ago when the rate of increase in consumer prices was falling more quickly, the Federal Reserve would start reducing short-term interest rates later this calendar year even though rates would remain higher for a longer period of time than the optimists expected, until the "soft-landing" for the U.S. economy was achieved. That first possibility was consistent with the assumptions used in the January 2024 Consensus Forecast (as defined below), which expected that the Federal Reserve would begin its monetary policy easing after mid-calendar year 2024.

Alternatively, under the second scenario, which envisions that the inflation rate bottoms out at closer to 3.0% on a year-over-year basis, the Federal Reserve would exercise a more restrained monetary policy pivot during calendar year 2024, and possibly delay any easing (i.e., any decrease in short-term interest rates) potentially into calendar year 2025. As a result, borrowing costs would remain high for a longer period, significantly elevating the risk of recession due to the adverse impact of a tight monetary policy on U.S. output growth and labor market conditions.

To date, market sentiment in terms of whether the Federal Reserve will succeed in engineering a "soft-landing" for the economy has oscillated over the past year, with current sentiment having now swung towards the middle of the success or failure extremes. While achieving an economic "soft-landing" still remains possible, it may require both deft policy execution and some luck to avoid the economic costs associated with a general economic recession. The January 2024 Consensus Forecast did not include the economic and revenue costs and other negative effects of a general economic downturn, although the remaining months of fiscal year 2024 and fiscal year 2025 were expected to be more challenging as mounting economic, political, climate and national security headwinds will likely act to slow economic and revenue activity and growth until a prospective soft-landing is in fact achieved.

The above-described uncertainty about the outcome of the final phase of the Federal Reserve's anti-inflation fight also comes at a time when the economy is returning to its underlying fundamentals. As the economy gets back to the basics, it will also carry forward with it the legacy effects of the pandemic, which will continue to influence global, national, and State economic activity throughout the rest of fiscal year 2024, and throughout the fiscal year 2025 and fiscal year 2026 time frame. As a result, the pandemic and its legacy effects remain an important factor in the continuation of the national and State economic upturns. Such effects also remain material considerations in the State's revenue outlook and forecast as outlined in the recently completed January 2024 consensus forecast update for the second half of fiscal year 2024 and for all of fiscal year 2025 and 2026. The remaining legacy effects of the pandemic include: (1) the greater acceptance and prevalence of remote work (including a still historically high level of hybrid work), (2) reduced local travel volumes—particularly in employment centers—resulting from the associated lower levels of worker commuter activity, (3) recent declines in life expectancy, (4) on-going supply chain issues (though these issues have diminished significantly, they continue to impact parts of the State's revenue picture), (5) elevated levels of asset prices for certain asset classes (particularly in certain housing markets perceived as lower COVID risk areas, such as Vermont, upstate New York, New Hampshire, and Maine), and (6) historically high and "sticky" rates of general inflation—which continue to threaten the sustainability of the current, post-pandemic economic upturn as the Federal Reserve continues to use contractionary monetary policy demand-side tools to reduce the economy's inflationary pressures.

The post-pandemic outlook for the economy and prospects for a "soft-landing" have also been complicated by the backend, residual effects of the unprecedented amount of federal financial pandemic assistance—much of which was financed through federal budget deficit spending—that has come to the State since early calendar year 2020. That federal assistance over the first two years of the recovery from the pandemic amounted to more than \$10.1 billion, representing more than \$16,200 per person through a series of direct federal pandemic assistance payments to households, a number of direct and indirect federal financial assistance programs for pandemic-impacted businesses (e.g., loans, grants, other direct pandemic assistance payments), and the provision of direct federal financial assistance to the states, counties, and municipalities. See "COVID-19 GLOBAL PANDEMIC" herein. In addition, the federal government also passed a series of economic stimulus-like measures, including a series of federal infrastructure and related industry support spending bills. This federal legislation included the so-called Chips and Science Act ("CHIPS") (Public Law 117-167; which provided funds to support the domestic production of semiconductors and to support science programs[4]) and the Inflation Reduction Act (Public Law 117-169; which included federal funding for broadband expansion and renewable energy projects). Although much of the above-referenced federal funds have been expended, significant amounts of authorized, and in most cases already appropriated, federal funds remain unspent. These funds will be expended over the next few years as these pandemic programs run their course.

The overriding theme from the above discussion is that there continues to be considerable level of uncertainty in the national outlook for the economy. As the direct effects of the pandemic and the federal-state recovery programs continue to recede in prominence, the legacy of the pandemic through its unprecedented federal spending to offset its economic effects, shifts in consumer preferences, the ongoing effects of the supply chain disruptions, the increased acceptance of remote work (which has helped to boost national and Vermont labor force participation rates), and ongoing concerns about inflation rates continue to impact the economy's performance and the direction of U.S. monetary policy. Add to that the uncertainties regarding the impacts of changing climate conditions, the ongoing ground war in eastern Europe and the threat of a potentially expanding ground war in the Middle East, a broader level of international geopolitical risk also remains. Any or some combination of the above risks have the potential to negatively impact the economic conditions and revenues of the State in a relatively short period of time.

The Vermont Situation: Since 2020, the State has continued to recover from the severe economic and labor market downturn brought on by the COVID-19 pandemic. Through March 2024, the path of the State's economic and labor market recovery has continued to be uneven and has progressed at a slower than average pace when compared to the New England region and the United States as a whole. That sub-average economic and labor market recovery reflects the particulars of the State's underlying demographic dynamics and the longer-term, ongoing legacy effects of the pandemic, which have evolved even as they have lessened in their impact. Through the initial stages of the State's labor market recovery, the State experienced reduced labor force participation rates due the health risks associated with contracting the COVID-19 virus among Vermont's more vulnerable, higher aged population. On the other side, another of the pandemic's key effects is a growing acceptance of remote work and increasing numbers of so-called hybrid work arrangements where workers are actually in the office on only a part-time basis. The increased ability to work remotely has contributed to reductions in the levels of local commuter traffic and associated business activity in and around the State's major employment centers that only recently have begun to recover somewhat. At the same time, that greater acceptance of remote work has also resulted in recent favorable impacts on population in-migration rates in Vermont and a turnaround in the State's post-pandemic labor force numbers.

As of March 2024, the State labor force has recovered all of the workforce that was lost during the post-pandemic period through October 2020, and stood at 355,726 participants. That total was 3,042, or 14.5%, higher than the October 2020 seasonally adjusted, post-pandemic labor force low. The latest re-benchmarked labor force participation rate data showed that Vermont experienced a 1.0 percentage point decline in its labor force participation rate over the January 2020 to January 2024 period—well below the labor force participation rate declines that were evident in previous data sets prior to the 2024 re-benchmark revisions. Vermont's decline in its labor force participation rate was lower than 19 other states, including four of the other six states in the New England region: New Hampshire (3.4 percentage point decline), Maine (2.9 percentage point decline), Connecticut (2.0 percentage point decline), and Massachusetts (1.7 percentage point decline). Although Vermont was not among the 14 states that experienced a net increase in its labor force participation rate, the fact that it was among the 30 states with a 1.0 percentage point decline or less in its labor force participation rate was a significant improvement over the data for this indicator prior to the completion of the labor market data re-benchmarking process.

Other initial economic and State revenue impacts, both during and in the aftermath of the onset of the pandemic, have included higher than usual rates of illness and death within the State's population overall, increased personal income and other State revenue flows from increased asset prices, and increased transactions associated with mergers and acquisitions activity involving inflation-driven, higher-valued assets. There has also been evidence of higher wage growth and inflation rates, which are at least in part due to the unprecedented levels of

[4] Where it was announced in February 2024 that the Global Foundries facility in Essex Junction was to receive a total of $125 million in cash and tax credits as part of $1.5 billion in Federal Chips Act funding to support the modernization of the company's Essex Junction plant facility (see below). See "STATE ECONOMY – Largest Private Employers" herein.

federal pandemic assistance to the State, nearly all states in the New England and the northeastern U.S. regions. On the downside, there have been some ongoing limitations in certain areas of State revenue activity associated with pandemic-based supply bottlenecks (even though many bottlenecks have largely been resolved). State revenue categories that have been somewhat limited by those supply issues include: receipts in the Motor Vehicle Purchase and Use Tax (tied to evidence that new and used vehicle inventories still remain at abnormally low levels), Property Transfer Tax receipts (tied to abnormally low levels of housing units listed on the market), and Sales and Use Tax receipts (tied to the pandemic-induced boom in e-commerce sales activity for goods that strained global supply chains).

Through early calendar year 2024, the residual effects of the pandemic have also directly and indirectly reduced the State's job base in the State's high-personal contact employment sectors such as the Hospitality industry (including the lodging and eating and drinking sub-sectors), the Arts, Entertainment, and Recreation sectors, and in the Education and Health Care services sectors. In contrast, job bases in the Professional and Business Services sector, the Information Sector and the Mining, Logging, and Construction sector have expanded. The pace of post-pandemic job additions in the Manufacturing sector also remains below pre-pandemic levels, despite the "on-shoring" efforts of the CHIPS Act (including the recent announcement that the Global Foundries facility in Essex Junction, Vermont will invest $125 million in CHIPS funds in its Vermont chip fabrication facility).In addition, federal funding has been received to support increased investment in alternative energy projects that is likely to support added jobs in the Construction sector, despite the recent job softness in the construction trades dating back to the Great Recession and workforce constraints due to the pandemic. Job conditions are expected to remain tight in the construction trades at least the near-term time horizon, at least until the continued presence of unmet demand in the construction trades is significant enough to encourage a corresponding workforce response.

Looking more specifically at the State's ongoing labor market recovery through March 2024 (the latest month where reliable U.S. and state-by-state labor market data are available), the labor market data indicate that there were roughly 1,600 more employed State residents (via data from the State's household survey) in Vermont as compared to the State's pre-recession peak in November 2019, but the State's labor markets as of March 2024 still had an estimated 3,100 fewer nonfarm payroll jobs as compared to its February 2020 pre-pandemic high according to the monthly survey of the State's business establishments. Although the State has made substantial recovery progress in its labor markets since its April 2020 seasonally adjusted nonfarm payroll job count low (with 64,100 or 95.4% of its nonfarm payroll jobs recovered to date of the 67,200 nonfarm payroll jobs lost during the pandemic), the State still has 4.6% of the nonfarm payroll jobs lost during the pandemic-induced downturn left to recover. Given this record, Vermont remained one of two states in the New England region with nonfarm payroll jobs left to recover as of March 2024, along with Massachusetts, which had 5,600 nonfarm payroll jobs left to recover, corresponding to 0.8% of the 682,600 nonfarm payroll jobs the state lost during the pandemic-induced downturn.

It is important to note, however, that Vermont's slower pace of labor market recovery performance has not been due to the lack of availability of job opportunities. The most recent reading of the U.S. Department of Labor's Job Openings and Labor Turnover ("JOLTS") data through January 2024 showed that there were a total of 18,000 available jobs in Vermont, totaling 2.5 available job opportunities for every available unemployed worker in Vermont, as has been the case for the State for eight of the last ten months. The level of available jobs per unemployed worker for the U.S. in February 2024 also stayed level with January 2024's job openings per unemployed worker total of 1.4, as has been the case nationally since May 2023. The level of available jobs per unemployed worker in the U.S. has been below 2.0 jobs per unemployed worker since January 2023, representing a significant improvement as U.S. labor markets have been working, and suggests national labor markets appear to be moving back toward some degree of normalcy. In Vermont, the number of available jobs per unemployed worker has been below 3.0 over the last four months, although the number increased to 2.5 available jobs per unemployed Vermont worker in January 2024.

The above labor market dynamics are also evident in the very low current status of the State's seasonally adjusted unemployment rate, which as of March 2024 was 2.2%. That top-line unemployment rate was the lowest unemployment rate in the New England region and was the third lowest rate of unemployment in the U.S. as a whole (behind North Dakota and South Dakota). It was also just 0.3 percentage points above Vermont's historical all-time seasonally adjusted unemployment rate low of 1.9%, which was last experienced in June 2019. Nonfarm payroll job additions in Vermont, however, have been slower than average since the bottom of the pandemic-induced recession. As a result, the State stood at 1.0% below its pre-pandemic nonfarm job count total as of March

2024, somewhat below the 0.6% increase in nonfarm payroll jobs for the New England region as a whole over that period and significantly below the 3.8% post-pandemic increase in nonfarm payroll jobs for the nation as a whole, in each case compared to February 2020. Four other New England states (including the states of Connecticut, Maine, New Hampshire and Rhode Island) have fully recovered their respective pandemic-induced payroll job losses, and as of March 2024 had nonfarm payroll job counts that were slightly above their respective pre-pandemic, nonfarm payroll job count level in early calendar year 2020—at 0.6%, 2.8%, 2.4%, and 1.1% higher, respectively. Massachusetts, like Vermont, also still remains somewhat below its pre-pandemic job count highs, at 0.1% below its pre-pandemic job count peak.

The latest comparative year-over-year, state-by-state job change data on the State's labor market performance through March 2024 shows that the State remains in the bottom one third overall and in many NAICS super-sectors in year-over-year job change among New England states and in the bottom ten states nationally. Looking at the data, Vermont ranked 6th (last) in New England and 45th nationally in terms of its year-over-year job change for total nonfarm payroll jobs (at a 0.6% year-over-year change) and also for the year-over-year job change for private-sector non-farm jobs (at a 0.2% gain). The most recent State job statistics by major industry sector on a year-over-year basis[5] show Vermont has gained nonfarm payroll jobs over the past year in five of its nine NAICS[6] supersectors (losing jobs year-over-year in the Construction, Manufacturing, Information, Leisure and Hospitality, and Professional and Business Services sectors), similar to Maine (which lost jobs year-over-year in the Construction, Manufacturing, Information, and Leisure and Hospitality sectors) and Massachusetts (which lost jobs year-over-year in the Manufacturing, Information, Trade, Transportation and Utilities, and Professional and Business Services sectors). Over the same period, Connecticut lost jobs year-over-year in only two of nine NAICS supersectors (Information and Professional and Business Services), while Rhode Island lost jobs year-over-year in three of nine NAICS supersectors (Construction, Information, and Financial Activities sectors).

The best year-over year payroll job performance for Vermont occurred in the Trade, Transportation, and Utilities supersector where the State gained jobs at the rate of 1.9% year-over-year, ranking the State 1st in the New England region and 10th nationally. The worst performing NAICS supersector in Vermont over the past year was the Manufacturing sector with a decline of 3.1% year-over-year, ranking Vermont 6th in New England and 49th nationally. Year-over-year job gains were notably positive in the Government Sector (with an increase of 2.3% over the past year, which ranked the State 3rd in the New England region and 33rd among the 50 states), the Financial Activities sector (with an increase of 0.8% over the past year, which ranked the State 1st in New England and 16th nationally), and the Education and Health Services sector (with an increase of 1.7% over the past year, which ranked the State 6th (last) in the New England region and 47th among the 50 states.

Other notable year-over-year performances for the State were the 2.1% decline in Construction sector jobs (which ranked the State 6th (last) in New England and 46th nationally) and the 1.1% decline in the Leisure and Hospitality sector (ranking the State 5th in New England and 47th nationally). Regarding the former, the State continues to believe that the lower than average flat year-over-year change in the Construction sector is contrary to reports of upbeat levels of recent construction activity as indicated by other data (e.g. construction permit data and the relatively strong level of State Property Transfer tax receipts), and anecdotal information regarding the amount of construction activity across the State (including a more than $100 million Construction project underway in downtown Burlington). Regarding the latter, the State's winter resort areas received a favorable turn in the winter weather during late March and early April with two more than one-foot snowstorms which helped to extend its Winter tourism season.

It should be noted that some of the State's sub-average year-over-year job change statistics as reported above may reflect survey issues in the U.S. Department of Labor's survey of business establishment job counts, which may be under-counting jobs in the State's Construction and potentially other NAICS supersectors. This potential under-counting, if any, would be corrected when the data is trued up to Quarterly Census of Employment and Wage establishment job counts as part of the re-benchmarking process during the February-March 2025 timeframe. Some initial progress in this regard was made in the Department of Labor's re-benchmark revisions completed earlier this year. However, the fact that the number of employed Vermont residents in March 2024 was higher than the pre-pandemic number of employed residents (see above) while the number of nonfarm payroll jobs

[5] Based on Monthly Employment Statistics published by the Bureau of Labor Statistics through the Current Employment Statistics (CES) Program.
[6] NAICS refers to the **N**orth **A**merican **I**ndustry **C**lassification **S**ystem.

still remained below pre-pandemic levels, means there are still differences to be worked out. At this point, it is more likely than not that any correction will involve an upward adjustment in business establishment survey job counts (considering the number of Vermont multiple job holders), which was the direction taken in the most recent 2024 re-benchmark revisions to be consistent with household survey results and would put the State in a consistent position with national differences between household survey and business establishment results.

Near-term economic prospects in the State may also continue to be impacted by the unpredictability of weather events driven by changes in the climate. Recent weather-related events such as: (i) the flooding, mudslides, water runoff, erosion and resulting damage that impacted the State in July 2023 (the "July 2023 Flooding"), (ii) a second flooding event that occurred in December 2023 (the "December 2023 Flooding"), and (iii) a severe winter storm in January 2024 (the "January 2024 Winter Storm"), continue to impact economic forecasts and revenue estimates for the State.

The July 2023 Flooding was actually a series of rain and resulting flooding events that caused over $1 billion in damages statewide, with roughly half of that damage to State-owned infrastructure, including over 273 miles of roads and bridges across the State, 303 miles of rail lines, and 20 State office buildings, primarily in Montpelier's Capitol District, including the executive offices of the Governor, the Treasurer and the Attorney General and the Vermont Supreme Court building. The State received a federal disaster declaration for this event, which qualified the State, communities and individuals for FEMA financial and other support. Insurance payments for over $48 million have been received with some small items remaining to be adjudicated. The State's insurance policies were subsequently renewed without significant issue. For damages covered by FEMA assistance, temporary repairs were substantially completed within the first 180 days and large permanent repair and mitigation projects are in the planning phase and are expected to continue for several construction seasons. Due to the total estimated damages significantly exceeding FEMA's per capita threshold, the State anticipates a 90% federal cost share for the July 2023 Flooding and was allowed a 30-day window of 100% federal cost share by President Biden for emergency protective measures and debris management. In addition to the assistance from FEMA, the Federal Highway Administration also provided relief to the Agency of Transportation for State road and highway repairs almost immediately, with costs for this work reimbursable at 100% for the first 270 days of the disaster, and up to two years thereafter at 80%.

The December 2023 Flooding was far less disruptive and narrower in scope in comparison to the July 2023 Flooding, even though it was difficult for those who were impacted. The January 2024 Winter Storm caused significant damage in five counties and resulted in extensive damage in the utility sector.[7] It is too early to determine the complete costs and overall economic impact of, or potential federal funding available in response to, the July 2023 Flooding, December 2023 Flooding, or January 2024 Winter Storm. Although the State has received federal disaster declarations for all three of these events, it is uncertain whether impacted households and businesses will fully recover. The State continues to monitor the performance of the economy and State revenues for any signs of negative impacts associated with these events to gauge potential near-term and long-term economic and State revenue performance implications. Any apparent negative or positive impacts on State revenues will be systematically considered and incorporated into the upcoming consensus revenue forecast updates, including the next update scheduled for July 2024.

The Moody's Analytics National Economic Forecast Assumptions: The economic outlook for Vermont was completed in December 2023-early January 2024 for the last part of calendar year 2023 through calendar year 2026 period. That economic forecast update was based on a comprehensive national economic outlook as of mid-December 2023 as compiled by Moody's Analytics, a respected national economic forecasting firm, as modified through the Administration-JFO consensus forecasting process. The statistics in the consensus economic forecast in Table 5 (below) reflect this underlying Moody's Analytics national economic forecast as adjusted during the late December 2023 through early January 2024 consensus revenue (and economic) forecast update. Consistent with the updated, adjusted U.S. macroeconomic consensus forecast, the updated national consensus economic forecast includes the likelihood that the current economic upturn will continue through calendar year 2026 (meaning that the

[7] On April 19, 2024, President Biden approved a federal disaster declaration for Chittenden, Essex, Franklin, Lamoille, and Orleans counties. A preliminary damage assessment found that there were more than $2.3 million in storm eligible costs from the multi-day storm event. Eligible costs for reimbursement include power restoration, debris removal, road and public building repairs, staff overtime pay and contractor assistance.

U.S. economy will likely avoid a full-fledged economic downturn). This is expected even though the U.S. inflation rate has remained and will likely continue to remain at higher levels for a longer period of time than was the consensus as of late December 2023. The pace of near-term economic activity is expected to be supported by the residual expansionary effects of unexpended federal fiscal pandemic assistance funds and additional federal infrastructure, clean energy, and other federal funds still in the pipeline over the forecast period—including CHIPS Act funds, which seek to re-shore and build U.S. capacity of semiconductor chip manufacturing capacity. The updated consensus economic forecast also expects that Vermont will participate in the accelerated development of alternative energy projects as contemplated in recently passed federal legislation. The updated consensus economic forecast expects that the pace of the State's economic activity and eventual expansion will slow during the calendar year 2024 and then settle into a close to average rate of economic activity and employment-job change during the calendar year 2024 and 2025 forecast update timeframe.

This updated consensus economic forecast also expects that economic activity will continue to slow in response to the Federal Reserve's contractionary policy posture. It is expected that the resulting slower rates of economic activity will be reflected in the economy's top line performance metrics throughout the calendar year 2024 through 2026 period (following initial stronger than expected readings as the economy demonstrated a surprising level of resilience in recent months), including slower inflation-adjusted output growth and nonfarm payroll job growth in addition to the sustainable slowdown in the rate of inflation. The forecast also reflects an expected further diminishment in the economic impact of the COVID-19 pandemic's residual policies and virus variants.

These evolving dynamics of economic activity are reflected in the consensus economic forecast (as adjusted) of the various macroeconomic performance metrics. According to the updated consensus forecast, U.S. GDP is expected to increase by 2.4% in calendar year 2023, after the 1.9% year-over-year increase in U.S. GDP in calendar year 2022. That calendar year 2023 GDP annual growth rate performance is then expected to be followed by an increase of 1.6% on an annual average basis for calendar year 2024 as the Federal Reserve's monetary policy tightening measures bite further into economic activity. Annual real GDP growth for calendar years 2025 and 2026, is expected to be 1.8% and 2.1% per year, respectively, as U.S. output growth begins to regain its footing following the end of the Federal Reserve's policy tightening postures.

The Moody's Analytics national outlook (as adjusted) for U.S. labor markets includes an annual average increase in payroll jobs of 2.3% for calendar year 2023, following the 4.3% annual average increase in payroll jobs for calendar year 2022. Annual average nonfarm payroll job growth is then expected to settle in at a somewhat below 1.0% annual average growth rate for calendar years 2024, 2025, and 2026, reflecting the overall downshifting in U.S. labor markets following the historically strong, labor market recovery-expansion fueled by federal fiscal policy. The U.S. unemployment rate, according to this revised consensus economic forecast, is expected to average 4.0% for calendar years 2025 and 2026, following the annual average rate of 3.6% for calendar year 2023 (which followed a 3.6% rate of unemployment for calendar year 2022). That represented a significant improvement over the 8.1% annual average national unemployment rate in calendar year 2020.

Consumer prices, as measured by CPI-U, are also expected to reflect the effects of the historic tightening measures taken by the Federal Reserve. Following its highest year-over-year price change peak in almost four decades of approximately 9% in June 2022, the CPI is expected to average 4.1% on an annual average basis for all of calendar year 2023. The updated consensus economic forecast then expects that the annual change in the CPI will average 3.0% in calendar year 2024, before falling to 2.6% for calendar year 2025 and 2.5% for calendar year 2026. That scenario indicates that the updated consensus economic forecast for the U.S. and Vermont expects that inflation, although slowing significantly, will remain at elevated levels through calendar year 2024 before falling back to the 2.5% annual range in calendar years 2025 through 2027. While this consensus forecast predicts that consumer prices will remain higher for longer than many other mainstream forecasts expect, the updated consensus economic forecast also indicates that the Federal Reserve's execution of monetary policy will ultimately be successful in slowing the U.S. economy enough to bring the CPI inflation rate back a below 3.0% annual average rate of increase level, without causing a period of general economic recession. The forecast expects that the current highly restrictive round of monetary policy will eventually ease, with short-term interest rates peaking at higher levels and falling more slowly over the later years of the forecast update period than was expected in recent economic forecast updates. Accordingly, the adjusted consensus economic forecast through calendar year 2026 expects short-term interest rates to remain well above the pre-pandemic calendar year 2019 average through calendar 2026, with the resulting U.S. Prime Interest Rate averaging above 7.5% for both calendar years 2023 and

2024, before declining significantly to the level of 6.4% by calendar year 2026, or roughly 1.1 percentage points higher than the 5.3% annual average U.S. Prime Rate interest rate level average posted in calendar year 2019.

The Vermont Economic Outlook: The Vermont near-term economic outlook, which is also based on the Moody's Analytics national forecast as adjusted by the Administration-JFO consensus forecast process, is reflected in Table 5 below. The updated consensus economic forecast takes into account the most current information regarding the ongoing recovery-expansion since the onset of the pandemic and reflects the effects on the State of the ongoing tension between expansionary federal fiscal policy and contractionary federal monetary policies. So far, the economically stimulative effects of federal fiscal policy have helped carry the economy forward in Vermont, although the State's economic outlook, like the U.S. economic outlook above, contains an unusual level of uncertainty regarding the current economic upturn's durability. The risks of a full-fledged economic downturn remain significant in the current monetary policy tightening environment considering the long- and variable-time lags that characterize the economic effects of monetary policy changes. The risk of a downturn is particularly significant for the second half of fiscal year 2024 and into fiscal year 2025, although the risk of a full-fledged economic downturn later in fiscal year 2025 is not insignificant. The baseline forecast for the Vermont economy, like the adjusted national economic forecast, does not include a general economic recession in calendar years 2024, 2025, or 2026 although there is expected to be a significant slowing in State economic activity over the near-term, particularly for the end of fiscal year 2024 and at least during the first half of fiscal year 2025.

Overall, the consensus economic forecast for Vermont expects that the pattern of activity in the State economy will mirror the path of the U.S. economy throughout the forecast update time frame. The path of the State's specific major macroeconomic variables is forecasted to experience a somewhat slower rate of recovery-expansion during calendar years 2023 and 2024 (following a harsher pandemic-induced period of decline and initial recovery in calendar years 2020 through 2022) to be followed by a period that mirrors and, in some cases, slightly exceeds the U.S. average later in the forecast time horizon. The labor market recovery-expansion is also expected to proceed at a slightly stronger pace for nonfarm payroll jobs during the outyears of the forecasted timeline, following a harsher than average decline in nonfarm payroll jobs and household employment and a slower pace to the State's initial recovery given the State's higher level of dependance on virus-sensitive services sectors like the travel and tourism sector. The rate of growth for real output (as measured by Gross State Product or GSP) and for personal income growth is similarly expected to initially be weaker than the national average (for calendar years 2023 and 2024), before returning to somewhat closer to the national average rate of change going through the later calendar years of the forecast update period, as the economy returns to a "more normal" character and begins to more properly reflect the underlying fundamentals of the State's economic activity.

As with previous post-pandemic economic forecast updates, the forecast reflects the still significant amount of federal pandemic financial assistance monies that remain in the federal spending pipeline in the State (e.g., such as municipal ARP monies and Inflation Reduction Act dollars) along with substantial federal resources for infrastructure projects (including federal support for the expansion of broadband throughout the State), clean energy projects, and other federal financial support such as for the re-shoring of U.S. semiconductor chip manufacturing. Combined with the additional federal disaster relief monies to help the State recover from the July 2023 Flooding, December 2023 Flooding, and January 2024 Winter Storm, those federal monies are likely to provide some upside support to economic activity to help offset the activity-restraining/demand-reducing effects of still contractionary federal monetary policy measures that will likely remain in effect for at least the State's near-term future.

In terms of Vermont's key economic benchmarks, the most recent adjusted Moody's Analytics forecast for Vermont expects an annualized 1.5% increase in inflation-adjusted output for all of calendar year 2023 (following the 2.7% decline in calendar year 2020, the 4.8% increase in calendar year 2021 as the recovery got underway, and the 2.2% increase for calendar year 2022). That performance is to be followed by a 1.1% increase in calendar year 2024, a 1.2% increase in 2025, and a 1.8% increase for inflation-adjusted output in calendar year 2026. The rate of inflation-adjusted output increase throughout the calendar year 2023 to 2026 time frame is not expected to exceed the U.S. average, although the Vermont rate of GSP growth in calendar year 2026 is only three tenths of a percentage point below the U.S. average for that calendar year and is characteristic of the State's relative performance in that indicator throughout the last five calendar years through the pandemic-impacted time frame. The average annual rate of nonfarm payroll job change over the forecast period is expected to be 1.5% in calendar year 2023, 0.6% in calendar year 2024, 0.9% in calendar year 2025, and 0.8% in calendar year 2026, matching or exceeding the U.S. average annual job growth rate in three of the four forecasted calendar years.[8] Nominal dollar personal income growth across the forecast update period for the State is expected to be positive and reflect the recent federal pandemic financial assistance monies that came to Vermont along with the current higher inflationary environment. Over the calendar year 2023 through 2026 period, nominal dollar personal income is expected to increase at an annual rate of 5.5%, 4.2%, 4.3%, and 4.4%, respectively. These rates of increase are expected following the estimated 5.2% increase in nominal dollar personal income for calendar year 2019, and the 7.0%, 6.3%, and 3.0% annual average rate of increase in nominal dollar personal income in calendar years 2020, 2021, and 2022, respectively.

Housing prices, as measured by the Federal Housing Finance Agency ("FHFA") Housing Price Index for Vermont, are expected to continue to reflect the relative lack of inventory of units available for sale in most local and regional housing markets across the State. The lack of available inventory on the market has pushed median housing prices in Vermont consistently to new cyclical highs in recent years, such as the historically high 18.1% year-over-year increase in calendar year 2022. At the same time, the lack of any substantial over-building response has slowed the timing of the any pending price correction, pushing the expected decline in State housing prices out to calendar year 2025—about the same time that a national average housing price correction that is expected to begin in calendar year 2024 and go negative in calendar year 2025. For Vermont, the expected two-year housing price correction time frame goes negative in calendar year 2025 and lasts through calendar year 2026 on an average annual basis, following an expected slowdown on an average annual basis to just a 1.1% increase for calendar year 2024. The near-term housing price forecast is for Vermont to experience another positive rate of housing price increase of 9.6% in calendar year 2023, compared to an annual average housing price increase of 5.4% for the nation as a whole. After house prices are expected to flatten in Vermont and for the U.S. as a whole during calendar year 2024, house prices then bottom out nationally in calendar year 2025 at a 1.6% decline, before registering a 0.4% increase in calendar year 2026, while Vermont's average house price is expected to decrease by 1.5% in calendar year 2025 and then by another 0.5% in calendar year 2026. House prices using the FHFA house price index for both the State and U.S. are then expected to post average annual price increases beyond calendar year 2026, ranging between 1.8% to 4.4% per year over the out-years as a new upswing commences for housing prices but with better balance in supply and demand that keeps annual housing price increases generally under 5.0% per year.

Economic Forecast – Summary Data

The following table sets forth comparative statistics and assumptions corresponding to the current short term economic outlook for the Vermont and U.S. economies. The U.S. data correspond to the most recent Administration-Legislative JFO consensus forecast update for the macroeconomic environment for the Vermont economy for the upcoming three-year period as it was developed in late-December 2023 and early-January 2024. This updated consensus forecast of the U.S. and Vermont economies was used for the January 2024 consensus revenue forecast update process. The Vermont statistics present the specific detail for the consensus economic forecast for the State and reflect the State's continued economic and labor market recovery from the pandemic using a jointly maintained JFO and Agency of Administration macroeconomic forecasting model of the State economy as hosted through Moody's Analytics. Specific economic forecast variables and inputs were derived from the macroeconomic forecasts of other major forecasting entities, including the U.S. Federal Reserve System, the U.S. Energy Information System, the Congressional Budget Office, the International Monetary Fund, the Conference Board, and other private forecasting firms. As of the date of this Official Statement, regional economic forecast data from NEEP was not available.

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[8] It should be noted that jobs and employment are lagging indicators, which typically trail current economic conditions by three to six months.

Table 5
Calendar Year Forecast Comparison: United States and Vermont

	Actual					Forecast[1]			
	2018	2019	2020	2021[1]	2022[1]	2023	2024	2025	2026
Real Output (% Change)									
U.S. Gross Domestic Product	3.0	2.5	(2.2)	5.8	1.9	2.4	1.6	1.8	2.1
Vermont Gross State Product	0.7	1.2	(2.7)	4.8	2.2	1.5	1.1	1.2	1.8
Non-Farm Employment (% Change)									
U.S.	1.6	1.3	(5.8)	2.9	4.3	2.3	0.7	0.4	0.5
Vermont	0.3	0.1	(9.3)	2.7	3.0	1.5	0.6	0.9	0.8
Unemployment (%)									
U.S.	3.9	3.7	8.1	5.4	3.6	3.6	3.9	4.0	4.0
Vermont	2.5	2.1	5.7	3.7	2.6	2.2	2.7	3.0	3.1
FHFA Home Prices (% Change) (Current Dollars)									
U.S.	5.5	4.6	5.2	13.7	16.9	5.4	0.1	(1.6)	0.4
Vermont	3.0	3.7	5.1	14.0	18.1	9.6	1.1	(1.5)	(0.5)

[1] 2022 variables are subject to further revision, and 2023 through 2026 values in this table reflect projected data as of December 2023-January 2024. Calendar year 2023 forecasted data reflect consensus JFO and Administration estimates of the continued economic and labor market recovery from the pandemic-induced economic downturn as of early January 2024.

Sources: Moody's Analytics (U.S.) December 2023 Control Forecast (as adjusted as of January 18, 2024); the January 2024 Vermont Consensus Revenue Forecast Update).

For calendar years 2023 through 2026, the updated forecast expects that the State will continue its labor market recovery from the pandemic-induced lows and eventually move into an expansion, generally mirroring the U.S. average for most economic variables but reflecting a mix of sub-U.S. average and above-U.S. average performances. Vermont's inflation-adjusted output and nonfarm payroll job growth are forecasted to increase over the entire forecast period. The consensus economic forecast expects that there will be no period of general economic recession during the forecast period despite the Federal Reserve's ongoing, highly contractionary monetary policy posture at least early on during the forecast update period. The Federal Reserve's tightening efforts are expected to successfully slow the demand pressures in the economy to help bring down the overall rate of inflation over the forecast update timeline. This will result in the economy's "above trend" price pressures coming down as aggregate demand and supply in the U.S. economy come back into better alignment. Throughout the forecast time frame after calendar year 2024, it is expected that the State's recovery will strengthen, following the calendar year 2023 and 2024 slowdown as inflationary pressures are wrung out of the economy, with the pace of the State's annual nonfarm payroll job change nudging above the U.S. average for calendar years 2025 and 2026.

The State's conventionally published unemployment rate is expected to continue to track at a level significantly below the U.S. average—as has been the case for Vermont labor markets for roughly the past two decades. Vermont's comparative housing price performance is also expected to track above U.S. levels until calendar year 2026, due at least in part to the increasing acceptance of working remotely, and the supply constraints that have recently reduced the number of available housing units listed for sale across the State. Initial annual mid-year population estimates for 2021 and 2022 indicate that the initial uptick in population migration into the State during the early part of the COVID-19 pandemic has slowed, but the numbers of new in-migrants that initially came to Vermont near the start of the pandemic have stayed—resulting in those initially higher population numbers for the State being maintained. It remains unclear whether this recent increase in population in-migration will be permanent as the effects of the pandemic wane. U.S. Census data show that the mid-year 2022 and mid-year 2023 population data included net population in-migration into the State for those years that was roughly half of the level for the mid-year population estimate for 2021 (at 2,135 in-migrants for 2022 and 2,156 in-migrants for 2023 versus 5,257 in-migrants for 2021), offering some optimism that the recent, more elevated levels of population in-migration experienced during the pandemic may be more enduring. In addition, it remains equally unclear whether the recently more permissive attitudes toward remote work will regress in the post-pandemic economic and revenue forecast period. On the other side of the in-migration ledger, it seems likely that the quality-of-life concerns among households in major metro areas (and particularly those in the northeastern U.S.) are likely to continue for at least the near-term in the still evolving post-pandemic timeframe.

Regional Comparison

Data presented in Tables 6 through 8 include comparative labor market information for the State relative to the other New England states and the major metropolitan areas in the New England region. Table 6 shows the most current monthly, conventionally-published (or "top line") unemployment rate data for Vermont, the seven northeastern states, and the U.S. as a whole. Tables 7 and 8 set forth the latest annual "top line" unemployment and payroll job change data available for the various New England metro areas.

These data show that during the current and previous economic cycles the Burlington metropolitan area continues to be a strong performing metropolitan area in the New England region in comparison to the other 20 New England metropolitan areas. The tables show that the State and its major metropolitan area have among the lowest "top line" unemployment rates, and among the best relative job change performances, in the region during the most recent complete business cycle (December 2007 through February 2020), the period corresponding to the latest recession (March 2020 to April 2020) and the subsequent recovery-expansion. This previous cycle includes the year with the labor market peak and trough surrounding the late-2000s national economic recession and subsequent expansion up-cycle in the New England region and the United States as a whole through February 2020. Data for calendar years 2016 through 2023 where relevant and available, are also included to present data related to the most recent period of economic recovery-expansion.

Table 6
Total Unemployment Rate Comparison of
Vermont, Seven Northeastern States and the U.S.

	March 2024	February 2024	March 2023	Change From Last Year
Vermont	2.1%	2.2%	1.7%	0.4%
Connecticut	4.4	4.5	3.3	1.1
Maine	3.1	3.3	2.4	0.7
Massachusetts	2.9	2.9	3.2	(0.3)
New Hampshire	2.6	2.6	1.8	0.8
New Jersey	4.7	4.8	4.1	0.6
New York	4.2	4.3	3.9	0.3
Rhode Island	4.1	4.1	2.7	1.4
United States	3.9	3.8	3.4	0.5

Note: Data are seasonally adjusted and exclude the Armed Forces.
Source: U.S. Department of Labor, Bureau of Labor Statistics.

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Table 7
Comparison of Unemployment Rates in New England's Largest Metropolitan Areas
Not Seasonally Adjusted

City	Annual Average % 2017	Annual Average % 2018	Annual Average % 2019	Annual Average % 2020	Annual Average % 2021	Annual Average % 2022	Annual Average % 2023
Connecticut							
Bridgeport, Stamford, Norwalk	4.4	3.9	3.6	8.2	6.4	4.2	4.0
Danbury	3.7	3.3	3.1	7.2	5.5	3.7	3.4
Hartford-W. Hartford-E. Hartford	4.4	3.9	3.6	7.8	6.4	4.1	3.7
New Haven	4.4	3.8	3.5	7.4	6.1	3.9	3.5
Norwich-New London	4.3	3.8	3.5	10.0	6.9	4.1	3.6
Waterbury	5.5	4.8	4.5	9.3	7.8	4.9	4.7
Maine							
Bangor	3.5	3.2	2.9	4.8	4.5	2.8	2.8
Lewiston-Auburn	3.2	3.1	2.9	5.0	4.9	2.9	2.9
Portland-South Portland	2.7	2.6	2.3	5.0	4.2	2.4	2.4
Massachusetts							
Barnstable Town	4.6	4.2	3.8	10.5	6.1	4.4	4.0
Boston-Cambridge-Newton	3.5	3.1	2.7	8.9	5.0	3.3	3.1
Leominster-Gardner	4.4	4.0	3.6	10.3	6.2	4.3	3.8
New Bedford	5.8	5.3	4.6	11.8	6.9	5.3	4.7
Pittsfield	4.6	4.4	3.9	10.4	6.6	4.4	3.7
Springfield	4.6	4.2	3.8	9.5	6.2	4.3	3.8
Worcester	4.0	3.7	3.3	8.9	5.5	3.8	3.5
New Hampshire							
Dover-Durham	2.5	2.4	2.4	6.1	3.4	2.1	2.1
Manchester	2.7	2.5	2.4	6.7	3.3	2.2	2.1
Portsmouth	2.5	2.4	2.3	5.8	3.2	2.1	2.0
Rhode Island							
Providence-Warwick	4.5	4.1	3.6	9.4	5.6	3.4	3.2
Vermont							
Burlington-South Burlington	2.4	2.0	1.6	4.8	3.1	1.9	1.6

Note: Labor Market Areas are subject to sporadic revisions depending on the state and also are subject to infrequent geographic redefinition. Data are not seasonally adjusted.
Source: U.S. Department of Labor, Bureau of Labor Statistics.

Table 8
Comparison of Non-farm Payroll Job Growth in New England's Largest Metropolitan Areas
Not Seasonally Adjusted

City	Number of Non-farm Jobs 2019 Annual Average (000s)	Number of Non-farm Jobs 2020 Annual Average (000s)	Number of Non-farm Jobs 2023 Annual Average (000s)	Annual Percent Change in Non-farm Jobs 2019–2020	Annual Percent Change in Non-farm Jobs 2020–2023
Connecticut					
Bridgeport-Stamford-Norwalk	406.9	371.8	406.9	(8.6)%	9.4%
Danbury	77.7	71.5	78.0	(8.0)	9.1
Hartford-W. Hartford-E. Hartford	587.0	548.5	580.1	(6.6)	5.8
New Haven	292.1	278.3	301.4	(4.7)	8.3
Norwich-New London-Westerly	129.8	114.0	125.8	(12.2)	10.4
Waterbury	69.0	63.0	66.5	(8.7)	5.6
Maine					
Bangor	67.3	63.0	66.7	(6.4)	5.9
Lewiston-Auburn	51.4	49.1	49.8	(4.5)	1.4
Portland-South Portland	213.0	198.6	216.4	(6.8)	9.0
Massachusetts					
Barnstable Town	107.1	94.9	105.4	(11.4)	11.1
Boston-Cambridge-Nashua	2824.4	2592.6	2807.0	(8.2)	8.3
Leominster-Gardner	53.6	48.8	52.1	(9.0)	6.8
New Bedford	67.5	61.4	66.0	(9.0)	7.5
Pittsfield	41.1	36.7	39.7	(10.7)	8.2
Springfield	340.6	311.6	329.9	(8.5)	5.9
Worcester	288.7	267.7	289.6	(7.3)	8.2
New Hampshire					
Dover-Durham	54.5	50.7	52.3	(7.0)	3.2
Manchester	117.0	108.1	114.6	(7.6)	6.0
Portsmouth	94.5	88.9	96.2	(5.9)	8.2
Rhode Island					
Providence-Warwick	599.8	549.6	600.1	(8.4)	9.2
Vermont					
Burlington-South Burlington	126.5	116.0	125.3	(8.3)	8.0

Note: Labor Market Areas are subject to sporadic revisions depending on the state and also are subject to infrequent geographic redefinition. Data are not seasonally adjusted.
Source: U.S. Department of Labor, Bureau of Labor Statistics.

Composition of the Vermont Economy

Tables 9 and 10 include data that profile the earnings and employment levels by major industry for the State of Vermont under NAICS. The earnings data reflected in Table 9 cover the calendar year 2021 to 2023 period (calendar year 2023 being the latest year for which complete annual average data are available). Employment data by industry reflected in Table 10 are also provided for the 2020-2022 calendar year period for Vermont and 2022 for the U.S. economy.

The full-time and part-time jobs data ending in calendar year 2022 show that Health Care and Social Assistance remains one of the State's most important sectors, representing an estimated 13.1% of total employment in 2021 versus 11.1% of employment for the U.S. in calendar year 2022. Other important parts of Vermont's economic base include: Retail Trade at 10.5% of calendar year 2022 total employment versus 9.2% of employment for the U.S. as a whole in calendar year 2022; Accommodations and Food Services at 7.4% of the calendar year 2022 total employment versus 6.9 % of employment for the U.S. as a whole in calendar year 2022; Manufacturing at 7.4% of the calendar year 2022 total employment versus 6.4% of employment for the U.S. as a whole in calendar year 2022; Construction at 6.7% of calendar year 2022 total employment versus the U.S. average of 5.6% in calendar year 2022; and Private Education Services at 4.1% of total employment versus the U.S. average of 2.3% in calendar year 2022.

Earnings data over the calendar year 2021 to 2023 period show some shifts as the State and nation recover from the pandemic. The share of earnings in the Manufacturing sector decreased (by 0.6 percentage point) to 9.0% of total earnings in calendar year 2023 compared to 9.6% of total earnings in calendar years 2021. The share of Health Care and Social Assistance earnings decreased to 14.4% of total earnings in calendar year 2023 from 14.6% in calendar year 2021. The share of Professional and Technical Services earnings increased to 10.3% of the total earnings in calendar year 2023 from 9.8% in calendar year 2022 and 9.5% in calendar year 2021. Of the other important parts of Vermont's economic base, the share of Construction earnings was 6.8% of total earnings in calendar year 2023 (fluctuating from 6.7% of total earnings in calendar year 2022 and 6.8% in calendar year 2021); the share of earnings in the Retail Trade sector was at 7.2% in calendar year 2023, up slightly from 7.1% in calendar year 2022; the share of earnings for the Accommodations and Food Services sector in calendar year 2023 increased to 5.3% of total earnings (versus 5.1% of total earnings in calendar year 2021); and Administrative and Waste Services increased to 4.2% of total earnings in calendar year 2023 compared to 3.8% in calendar year 2021.

Relative to the U.S. economy, Vermont's economy relies somewhat more heavily on sectors such as Construction, Forestry and Fishing, Manufacturing, Private Education Services, Health Care and Social Assistance, Retail Trade, Accommodations and Food Services, Arts, Entertainment, and Recreation and the Farm sector. The State's relatively high reliance on Retail Trade and Accommodations and Food Services reflects the importance of the travel and tourism sector to the State's economy. At the same time, the State's economy has a slightly lower reliance on sectors such as Information, Financial Activities, Transportation, Warehousing and Utilities, Management of Companies and Enterprises, Real Estate and Rental and Leasing, Mining, Administrative and Waste Services, and the Wholesale Trade sector for both its employment and its earnings.

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Table 9
Total Earnings by Industry
2021-2023
($Thousands)

	2021		2022		2023	
	Total Earnings	Percent of Total	Total Earnings	Percent of Total	Total Earnings	Percent of Total
Farm:	$207,279	0.8%	$312,677	1.2%	$175,223	0.6%
Non-Farm Industry:						
Construction	1,681,286	6.8	1,780,342	6.7	1,900,579	6.8
Forestry, Fishing and Other Related Activities	82,033	0.3	77,296	0.3	88,298	0.3
Mining	56,097	0.2	62,251	0.2	65,386	0.2
Utilities	229,135	0.9	272,948	1.0	290,163	1.0
Manufacturing	2,368,399	9.6	2,512,109	9.5	2,498,784	9.0
Wholesale Trade	807,672	3.3	873,046	3.3	925,170	3.3
Retail Trade	1,783,346	7.2	1,894,001	7.1	2,016,685	7.2
Information	420,551	1.7	424,225	1.6	446,943	1.6
Financial Activities	1,100,423	4.5	1,155,898	4.4	1,186,224	4.3
Real Estate and Rental and Leasing	616,069	2.5	629,101	2.4	619,568	2.2
Transportation and Warehousing	482,926	2.0	511,860	1.9	531,006	1.6
Management of Companies and Enterprises	281,198	1.1	292,726	1.1	302,577	1.1
Professional, Scientific and Technical Services	2,334,887	9.5	2,600,353	9.8	2,871,160	10.3
Private Education Services	755,198	3.1	794,079	3.0	839,787	3.0
Health Care and Social Assistance	3,616,685	14.6	3,819,074	14.4	4,001,994	14.4
Arts, Entertainment, and Recreation	313,953	1.3	440,210	1.7	526,965	1.9
Accommodations and Food Services	1,260,954	5.1	1,379,165	5.2	1,477,977	5.3
Administrative and Waste Services	926,921	3.8	1,102,561	4.2	1,160,189	4.2
Other Private Services-Providing	876,837	3.6	964,360	3.6	1,046,334	3.8
Total Private Non-Farm Industries	$ 19,994,570	81.0%	$ 21,585,605	81.5%	$ 22,795,789	81.8%
Government and Government Enterprises	$ 4,488,517	18.2%	$ 4,602,187	17.4%	$ 4,882,778	17.5%
Total Farm and Non-Farm Earnings	$24,690,366	100.0%	$26,500,469	100.0%	$27,853,790	100.0%

Notes: Total may not add due to rounding. Total Earnings is comprised of wages and salaries, other labor income and proprietor's income.
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Table 10
Vermont Jobs by Industry
2020-2022

	2020		2021		2022		U.S. 2022	
	Jobs	Percent of Total	Jobs	Percent of Total	Jobs	Percent of Total	Jobs	Percent of Total
Farm	9,102	2.2%	9,164	2.2%	9,359	2.1%	2,567,000	1.2%
Non-Farm Industry:								
Construction	27,883	6.8	28,256	6.7	29,182	6.7	11,867,800	5.6
Forestry, Fishing, & Other Related Activities	3,559	0.9	3,386	0.8	3,375	0.8	966,800	0.5
Mining	1,075	0.3	1,408	0.3	1,513	0.3	1,050,200	0.5
Manufacturing	31,729	7.8	32,011	7.6	32,382	7.4	13,523,700	6.4
Wholesale Trade	9,967	2.4	10,129	2.4	10,519	2.4	6,757,300	3.2
Retail Trade	43,039	10.5	44,651	10.6	45,749	10.5	19,510,300	9.2
Information	5,425	1.3	5,817	1.4	6,350	1.5	3,861,900	1.8
Financial Activities	15,055	3.7	15,552	3.7	16,665	3.8	12,982,300	6.1
Transportation, Warehousing & Utilities	10,626	2.6	11,140	2.6	11,435	2.6	12,079,100	5.7
Management of Companies and Enterprises	2,410	0.6	2,369	0.6	2,402	0.6	2,953,800	1.4
Real Estate and Rental and Leasing	17,029	4.2	18,556	4.4	20,540	4.7	11,832,200	5.6
Professional and Technical Services	28,135	6.9	29,879	7.1	31,367	7.2	15,978,400	7.5
Private Education Services	16,891	4.1	16,556	3.9	17,805	4.1	4,885,700	2.3
Health Care and Social Assistance	57,045	13.9	57,453	13.6	57,369	13.1	23,545,500	11.1
Arts, Entertainment, and Recreation	10,623	2.6	11,166	2.7	11,512	2.6	4,457,300	2.1
Accommodations and Food Services	26,204	6.4	29,177	6.9	32,325	7.4	14,750,300	6.9
Administrative and Waste Services	18,202	4.4	18,954	4.5	19,944	4.6	13,058,300	6.1
Other Services, except public administration	20,274	5.0	20,984	5.0	21,668	5.0	11,616,100	5.5
Total Private Sector Non-Farm	345,171	84.3%	357,444	84.9%	372,102	85.3%	185,677,000	87.4%
Government	55,043	13.4%	54,618	13.0%	54,845	12.6%	24,198,000	11.4%
Total Jobs	409,316	100.0%	421,226	100.0%	436,306	100.0%	212,442,000	100.0%

Notes: Includes total jobs and proprietors. Totals may not add due to rounding.
SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis.

Largest Private Employers

The Vermont economy currently reflects a diverse mix of manufacturing, tourist-based, education/higher education, professional services (including health care, business, and private sector higher education services), trade, transportation, and other employers. According to the 2023|2024 Book of Lists publication of Vermont Business Magazine, the State's four largest private sector employers in calendar year 2023 were: (i) The University of Vermont Medical Center ("UVMC") (formerly known as Fletcher Allen Health Care), which is part of the UVM Health Network ("UVMHN"), with approximately 5,591 employees, (ii) Global Foundries, Inc. ("Global Foundries"), with approximately 2,200 employees, (iii) Rutland Regional Medical Center, with approximately 1,740 employees, and (iv) Central Vermont Medical Center, with an estimated 1,700 employees.

UVMC, the State's largest private employer, is part of the UVMHN, which is comprised of a network of seven partner hospitals (which also includes Central Vermont Medical Center, Champlain Valley Physicians Hospital, the Porter Medical Center, UVM Home Health and Hospice, Elizabethtown Community Hospital, and Alice Hyde Medical Center) that serve the residents of Vermont and northern upstate New York. UVMC has a longstanding strategic alliance with the University of Vermont's College of Medicine and the College of Nursing and Health Sciences, bringing world-class medical research, education, and care to the region.

Global Foundries, another key Vermont employer, acquired IBM's Microelectronics Division in July 2015. The acquisition included: (i) IBM's semiconductor fabrication facilities in East Fishkill, New York and Essex Junction, Vermont; (ii) IBM's technologists, intellectual property, and technologies related to the IBM Microelectronics Division; and (iii) a 10-year exclusive server processor semiconductor technology provider contract for 10, 14 and 22 nanometer semiconductors. In anticipation of further collaboration following the acquisition, IBM continues to maintain a significant presence at the technology campus in Essex Junction, with a reported 200 employees being based at that location. Global Foundries has set up an independent subsidiary (Global Foundries US2) to operate the East Fishkill and Essex Junction fabrication facilities, which participates in the U.S. Government's "Trusted Foundry" program, allowing it to compete with other "Trusted Foundry" providers for contracts from the U.S. Department of Defense. In February 2024, it was announced that Global Foundries will receive $1.5 billion in federal CHIPS funds, with $125 million going to the Vermont facility in Essex Junction for its $900 million Fab 9 expansion. The Essex Junction plant is expected to manufacture next-generation gallium nitride (GaN) semiconductors for use in electric vehicles, power grids, data centers, 5G and 6G smartphones, and other critical technologies. GaN has been identified as an emerging material in semiconductor manufacturing.

Rutland Regional Medical Center was founded in 1896 as Rutland Hospital. Today, it is a 144-bed hospital, employing an estimated 1,740 professional and support staff. The facility provides preventive, diagnostic, acute, and rehabilitative services. Rutland Regional Medical Center serves Rutland County, portions of southern and central Vermont and a range of communities in eastern New York State within a reasonable travel distance by automobile.

The Central Vermont Medical Center is part of the UVMHN and operates as a 122-bed community hospital offering 24-hour emergency care, with a full spectrum of inpatient and outpatient services to 26 communities located in Central Vermont. Services include over 200 physicians and 70 advanced practice providers in 25 medical specialty areas. The Central Vermont Medical Center is a participant in OneCareVermont, a state-wide accountable care organization.

Other major private sector employers in the State include a mix of retail companies (Shaw's Supermarkets, Price Chopper, Walmart), financial institutions and other financial services companies (M&T Bank, National Life Group, Blue Cross and Blue Shield of Vermont, and New England Federal Credit Union), manufacturers (Mack Group, Cabot Creamery Cooperative, Inc., Momentum Manufacturing Group, LLC, Twincraft, Inc., Keurig Dr. Pepper, and GE Aircraft Engines—Rutland Operation), health care and related mental health services providers (Howard Center, Southwestern Vermont Health Care, Northwestern Vermont Health Care, Inc., North Country Hospital, Brattleboro Retreat, Washington County Mental Health Services), medical software providers (GE HealthCare), technology firms (Dealer.com), higher education (Middlebury College, Norwich University, Saint Michael's College), and the travel-tourism industry (Stowe Mountain Resort, Killington Resort, Trapp Family Lodge, and Jay Peak Resort (which was sold in November 2022 to Pacific Group Resorts, a Utah-based operator of resorts across the United States and Canada)). Other notable private sector employers in the State include Ben & Jerry's Ice Cream (a Unilever brand), Green Mountain Power Corporation (the State's largest investor-owned utility), Porter Medical Center, Collins Aerospace (which was acquired by United Technologies Corp. in June of 2019), and several of the State's major resorts (Stratton Mountain Resort, Smugglers Notch Resort, and Mount

Snow Resort (which was acquired by Vail Resorts in July 2019)). Each of these employers had at least 200 reported employees as of January 2024. The University of Vermont and State Agricultural College also is a major employer in the State with approximately 4,125 employees. The University of Vermont, however, is classified as a public sector employer and is not considered to be a part of the private sector employment mix of the State economy for any of the major employment job count surveys conducted by the Vermont Department of Labor.

Income Levels and Income Growth Performance

Tables 11 and 12 include data relating to the trends in the rate of total personal income growth for Vermont, New England and the nation as a whole over the calendar year 2000 to 2023 period (with calendar year 2023 being the latest year available). On an average annual basis, total personal income in Vermont has increased by 3.9% per year from calendar year 2000 to calendar year 2023, compared to a 3.9% per year average rate of growth for the New England region and a 4.3% per year average rate of growth in the U.S. for the same period. According to the U.S. Department of Commerce data presented in Table 12, Vermont's per capita personal income in calendar year 2000 was $29,002 or 94.9% of the U.S. average of $30,551. By calendar year 2023, Vermont's per capita personal income had risen to $66,463 or 97.0% of the U.S. average of $68,531. Vermont's per capita personal income increased by 5.4% in calendar year 2023, which was slightly greater than the New England regional average increase of 4.3% and the national average increase of 4.7% in calendar year 2023. These same data show that Vermont's change in per capita personal income for calendar year 2023 ranked 1st among the six New England states for that same period (ranging from Connecticut which experienced the second largest increase at 4.9% to Massachusetts which experienced the lowest increase at 3.9%).

Table 11

Growth in Nominal Dollar Total Personal Income for
Vermont, New England and United States
Calendar Years 2000-2023
($ in millions)

	State of Vermont		New England		United States	
Calendar Year	Total Personal Income	Percent Growth	Total Personal Income	Percent Growth	Total Personal Income	Percent Growth
2023	$43,032	5.5%	$1,243,427	4.6%	$22,952,028	5.2%
2022	40,790	3.0	1,188,528	1.9	21,820,248	2.0
2021	39,604	6.3	1,166,197	7.0	21,392,812	9.1
2020	37,274	7.0	1,089,449	6.2	19,609,985	6.9
2019	34,824	5.2	1,025,952	4.5	18,343,601	4.7
2018	33,117	3.6	981,390	4.8	17,514,402	5.1
2017	31,960	2.9	936,295	4.0	16,658,962	4.9
2016	31,073	1.6	900,401	3.0	15,884,741	2.7
2015	30,598	2.9	874,242	4.8	15,467,113	4.7
2014	29,725	3.7	833,957	4.2	14,778,160	5.1
2013	28,666	1.3	800,300	(0.3)	14,063,283	1.1
2012	28,292	2.7	802,748	2.8	13,905,749	4.6
2011	27,548	6.0	781,044	4.2	13,299,818	6.0
2010	25,989	3.1	749,402	4.1	12,547,501	4.1
2009	25,216	(0.9)	719,707	(1.0)	12,058,253	(2.9)
2008	25,449	5.8	726,656	4.8	12,423,410	4.2
2007	24,063	5.5	693,140	5.7	11,925,044	5.6
2006	22,804	6.2	655,755	7.2	11,291,446	7.1
2005	21,477	2.0	611,753	4.0	10,540,800	5.3
2004	21,049	5.5	588,011	5.2	10,008,929	5.6
2003	19,946	3.9	558,999	2.2	9,474,684	3.6
2002	19,198	2.1	546,839	0.5	9,146,700	1.7
2001	18,797	6.3	544,288	4.9	8,990,104	4.3
2000	17,680	8.3	518,807	10.2	8,620,234	8.0

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Table 12
Growth in Nominal Dollar Per Capita Personal Income for
Vermont, New England and the United States
Calendar Years 2000-2023

	State of Vermont		New England		United States	
Calendar Year	Per Capita Income	Percent Growth	Per Capita Income	Percent Growth	Per Capita Income	Percent Growth
2023	$66,463	5.4%	$82,021	4.3%	$68,531	4.7%
2022	63,035	3.0	78,603	1.8	65,473	1.6
2021	61,202	5.6	77,200	6.7	64,427	8.9
2020	57,974	6.9	72,351	6.4	59,151	6.5
2019	54,257	5.0	67,991	4.3	55,547	4.2
2018	51,692	3.4	65,195	4.4	53,309	4.5
2017	50,011	2.4	62,446	3.5	51,004	4.2
2016	48,831	1.5	60,324	2.6	48,971	1.9
2015	48,120	2.6	58,793	4.5	48,060	3.8
2014	46,897	3.5	56,285	3.6	46,287	4.2
2013	45,298	1.1	54,326	(0.9)	44,401	0.4
2012	44,861	2.5	54,794	2.2	44,237	3.7
2011	43,756	5.5	53,628	3.6	42,649	5.2
2010	41,492	2.8	51,768	3.6	40,557	3.2
2009	40,358	(1.0)	49,967	(1.4)	39,307	(3.8)
2008	40,774	5.6	50,673	4.4	40,854	3.2
2007	38,595	5.4	48,542	5.5	39,588	4.6
2006	36,609	5.9	46,032	7.0	37,843	6.1
2005	34,573	1.8	43,031	4.0	35,669	4.3
2004	33,955	5.2	41,390	5.0	34,183	4.7
2003	32,282	3.5	39,415	1.8	32,659	2.7
2002	31,194	1.6	38,721	(0.1)	31,801	0.8
2001	30,704	5.9	38,764	4.2	31,548	3.3
2000	29,002	7.4	37,191	9.3	30,551	6.9

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Employment Statistics

Vermont had an average labor force of 351,000 (rounded) during calendar year 2023, with approximately 344,000 (rounded) estimated as being employed and approximately 7,000 (rounded) estimated as being unemployed during that period. Vermont's conventionally-reported, statewide 2.0% annual average unemployment rate for calendar year 2023 was significantly lower than the calendar year 2020 statewide unemployment rate of 5.6%, reflecting the impact of the COVID-19 pandemic. Over the course of calendar year 2020, the State's unemployment rate peaked at 14.1% in April 2020 and fell to just 4.3% by December 2020. The State's conventionally-reported, annual average unemployment rate for calendar year 2023 of 2.0% was well below the calendar year 2023 annual average unemployment rates for the New England region as a whole (at 3.2%) and for the nation overall (at 3.6%). The following table sets forth data showing trends in labor force, employment and unemployment rates for Vermont, the New England region, and the U.S. economy as a whole from calendar year 2000 through calendar year 2023.

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Table 13
Average Annual Employment and Unemployment Rate

	State of Vermont			New England	United States
Year	Labor Force (in thousands)	Employment (in thousands)	Unemployment Rate (%)	Unemployment Rate (%)	Unemployment Rate (%)
2023	351	344	2.0	3.2	3.6
2022	344	336	2.3	3.5	3.7
2021	336	324	3.6	5.3	5.4
2020*	340	321	5.6	8.2	8.1
2019	353	346	2.1	3.1	3.7
2018	355	347	2.5	3.5	3.9
2017	355	345	3.0	3.8	4.4
2016	346	335	3.1	4.1	4.9
2015	347	334	3.5	4.9	5.3
2014	349	335	4.0	5.9	6.2
2013	350	335	4.4	6.9	7.4
2012	354	337	4.8	7.2	8.1
2011	358	338	5.6	7.7	9.0
2010	360	337	6.3	8.5	9.6
2009	359	337	6.2	8.1	9.3
2008	354	338	4.5	5.4	5.8
2007	353	339	3.9	4.4	4.6
2006	355	342	3.7	4.5	4.6
2005	350	337	3.5	4.7	5.1
2004	347	335	3.7	4.9	5.5
2003	346	331	4.4	5.4	6.0
2002	343	330	3.8	4.8	5.8
2001	338	327	3.3	3.6	4.7
2000	334	325	2.8	2.8	4.0

* Calendar year 2020 data reflect the economic impacts of the COVID-19 pandemic.
Source: U.S. Department of Labor, Bureau of Labor Statistics.

Transportation

The 2040 Vermont Long-Range Transportation Plan published by the Vermont Agency of Transportation ("VAOT") describes Vermont's roadway transportation infrastructure system as a total of 14,174 miles of maintained public roadways, including 2,331 miles of state highways, 378 miles of interstate highways, and 139 miles of Class-1 town highways. There are 520 interstate bridges, 1,835 bridges on State highways, and 1,642 town highway long (over 20 feet) structures. VAOT also maintains 1,265 short structures, which include bridges and culverts with spans from six to 20 feet, as well as over 50,000 smaller culverts. The State operates 30 Park and Ride lots. The State's non-highway transportation infrastructure is comprised of seven regional public transit operators providing approximately 3.5 million rides annually, 578 miles of active rail lines (305 miles of which are owned by the State) and 16 public airports (ten of which are owned by the State). A total of five of the 16 public-use airports are privately owned and operated, with the State's largest airport, the Patrick Leahy Burlington International Airport ("BIA"), owned by the City of Burlington. The State's 2040 Long-Range Transportation Plan also notes that many of Vermont's highways, rail lines, and intercity bus routes extend far beyond the State's borders.

Highway System. Vermont's highway system also includes 2,809 long-structure bridges (defined as bridges spanning more than 20 feet in length and located on public roads) and 1,260 short-structure bridges (defined as bridges with a span of greater than six feet up to or equal to a span of 20 feet) maintained by municipalities across the State. Since the mid-2000s, the State has made significant progress in improving its long-structure bridges' system performance, including significant reductions in the number of structurally deficient bridges. As of March 2022, of the 518 Interstate long-structure and short-structure bridges in the State's inventory, only 1.9% were classified as being in "Poor Condition", down from roughly 13% in the mid-2000s. Of the 1,871 long-structure and short-structure bridges listed in the State Highway system, the percentage of bridges in "Poor Condition" was 2.6% in 2022, down from just over 20% in the mid-2000s.

With respect to the Town Highway System, while the State does not inspect Town Highway short-structure bridges, the VAOT 2023 Fact Book reports that a total of 2.0% of Town Highway System long-structure bridges were reported as being in "Poor Condition" as of March 2022. The above benchmark deficiency percentages were well below the VAOT System Goal of 6.0% for the Interstate System, 10.0% for State Highway System, and 12.0% Town Highway System. In addition, the State has made significant improvements in other areas of its transportation infrastructure. In 2011, 25% of the State's roads were classified as being in "very poor condition." By 2022, that percentage had declined to just 8% and has stayed within a range of 11% to 15% of the total State road mileage over the 2015-2022 period. In 2021 and 2022, the State completed 615 and 458 miles, respectively, in two-lane miles of crack sealing, preventative maintenance, and paving. In addition, it is expected that the State will complete another 598 two-lane miles of crack sealing, preventative maintenance, and paving in 2023.

Rail. Vermont's rail network encompasses approximately 578 miles of active rail lines. All of these lines are used for freight service with two routes also being used for intercity passenger service. The State owns just over 305 miles of the active rail network and 149 miles of inactive rail, and the State acquired these lines when their former owners either filed for bankruptcy or announced that they would no longer provide service on these lines, or both. The first rail lines the State purchased were those of the Rutland Railroad after the company filed for bankruptcy and abandonment in 1962. The most recent was the acquisition of trackage now operated by the Washington County Railroad Connecticut River Line in 2003. Most of the lines carry freight only, with the exception of (i) the New England Central Railroad ("NECR") also carries the "Vermonter", (ii) the Clarendon & Pittsford Railroad ("CLP"), which also carries the Ethan Allen Express, and (iii) the Vermont Railway ("VTR") located north of Rutland, which will host the extended Ethan Allen Express to Burlington. In addition, the Green Mountain Railroad ("GMRC") hosts seasonal tourist service. On April 9, 2024, it was announced that Vermont Rail System had agreed to purchase the New Hampshire Central Railroad, including operating rights on State-owned track in the northern part of the State. The deal will require approval by State and federal regulators.

Roughly every five years, the State updates its State Rail Plan to identify system issues and needs, including subsequent policies and strategies to guide transportation investments in Vermont—including those that are freight-related. The Vermont Rail Advisory Council provides overall guidance throughout these periodic Rail Plan updates. The 2021 State Rail Plan was finalized in May 2021 and included recommendations for maintaining and enhancing the State's rail system.

The State also continues to advance projects associated with a $20 million federal Better Utilizing Investments to Leverage Development (BUILD) program grant from the U.S. Department of Transportation. This grant includes 31 rail bridge projects for a freight capacity of 286,000 pounds along 53 miles of the Vermont Railway from Rutland to Bennington, and onto Hoosick, New York. Funding will support several years of design and construction into 2025. The improvements are expected to reduce truck traffic along U.S. Route 7 and adjacent highways, enable the expansion of intercity passenger rail, and ensure good condition for the rail bridges for the next 75 to 100 years. The next phase of construction is scheduled to begin in the 2023 season. Rail is also working on the preliminary design for a track replacement project along the same section of the corridor to help improve safety for freight movements. Calendar year 2022 was highlighted by the extension of Ethan Allen Express Amtrak Service to Middlebury, Ferrisburgh-Vergennes and Burlington following many years of work to secure funding for multiple rail enhancement projects along the State's western rail corridor. The extension of service back to Burlington for the first time since 2003 included 26 crossing upgrades, nine bridge upgrades, 21 different track projects that involved full surfacing of the 67 miles of track between Rutland and Burlington, 36 miles of new continuously welded rail, the addition of several new switches, and the completion of bank stabilization and sub-surface stabilization projects along that rail corridor. The State also completed 27 rail maintenance projects throughout the State, including rail and rail trail projects in Burlington, Manchester, Montpelier, Rutland, Sheldon, Saint Johnsbury, and Sheldon.

Transit. There were seven public transit providers in the State in fiscal year 2022, which provided an estimated 3.54 million passenger trips. VAOT has an established statewide goal of 20% local share participation for public transportation adopted as part of the 2020 Public Transit Policy Plan. Local share includes fare revenue, private contributions, contracts from outside agencies, payments from cities and towns, and in-kind contributions. For fiscal year 2021, only 13% of statewide transit funding came from local sources, down from 21% in the previous year. The local share dropped for two main reasons: (1) no passenger fares were charged on any bus routes in Vermont during the fiscal year as part of the State's response to the COVID-19 pandemic and (2) emergency federal aid related to the pandemic did not require any non-federal matching funds. The federal aid sustained the transit agencies during the crisis and allowed State and local funds that would normally be spent on public transit to be used for other urgent needs. The State is also served by four private intercity providers, including Greyhound Bus Lines and Vermont Translines (both of which serve a number of municipalities in the State), Yankee Trails (which operates a shuttle service between Albany, New York and Bennington), and Megabus (which operates buses between Boston and New York City via Hartford and New Haven and between Boston and Burlington). The State continues to invest in Park and Ride facilities to aid commuters throughout the State.

Aviation. The Aviation Program manages 90 runway lane miles at ten State-owned airports in Vermont, providing a safe environment for users of the system, preserving the publicly-owned infrastructure, promoting aviation-related activities, and expanding travel opportunities at its 16 public use airports. The State also has five private airports and is home to the BIA, which is municipally-owned by the City of Burlington. The BIA opened the facilities associated with its Terminal Integration Project in October 2022. Funded by a $19 million Airport Improvement Grant from the Federal Aviation Administration, the project included a new, single consolidated TSA screening checkpoint, expanded passenger seating, and improved facilities-amenities for departing and arriving passengers. As of April 2024, the list of commercial air carriers serving BIA includes nine national and regional carriers serving Atlanta, Charlotte, Chicago, Newark, New York City, Orlando, Philadelphia, Tampa, and two of the three Washington, D.C. area airports. In addition, carriers also provide seasonal non-stop service to Dallas, Denver, Detroit, Jacksonville, Minneapolis-St. Paul, and Raleigh-Durham. Major carriers serving BIA include American Airlines, Breeze Airways, Delta Airlines, Sun Country Airlines, and United Airlines. Some carriers provide service at BIA through their subsidiaries.

During calendar year 2023, enplanements at BIA totaled 660,097, an increase of 7.2% over calendar year 2022. That 2023 enplanements count total during calendar year 2023, however, was still 6.4% below the 705,165 enplanements total for calendar year 2019—the year just prior to the COVID pandemic. In calendar year 2023, the Rutland Southern Vermont Regional Airport ("RSVR") had 5,023 passenger enplanements, a decrease of 5.2% from the 5,301 enplanements at the airport in calendar year 2022. Passenger service at RSVR is provided by the regional carrier Cape Air.

Vehicle Electrification. The State is a leader in vehicle electrification, ranking first in the nation with more public chargers per capita than any other state and the fourth highest rate of electric vehicle ("EV") and plug-in hybrid vehicle adoption among the 48 continental U.S. states (as measured by EV and plug-in hybrid registrations per 1,000 people in 2022). VAOT in 2022 worked with other State agencies to leverage almost $5 million in State capital and Volkswagen settlement funds to build more than 100 public electric vehicle charging stations and also provide home charging access to more than 6,000 households at affordable housing developments throughout Vermont. In coming years, VAOT expects to support the planning and implementation of $10 million in newly authorized State funds to expand charging access to workplaces, more multi-unit housing developments, downtowns, and other community attractions. The State also has invested in the continued buildout of its charging network along highway corridors to put a fast charger within about 30 miles of almost every address in Vermont and to support visitors coming to the State. During the next five years, VAOT expects to receive about $21 million for the National Electric Vehicle Infrastructure program and $32 million for the Carbon Reduction Program through the Infrastructure Investment and Jobs Act of 2021 (the "IIJA") to assist in the continued build-out of its vehicle charging system.

Utilities

General. Pursuant to 30 V.S.A. §218c1, each regulated electric or gas company is required to prepare and implement a least cost integrated plan (also called an integrated resource plan, or "IRP") for provision of energy services to its Vermont customers. The IRP process and the implementation of each Vermont utility's approved plan are intended to meet the public's need for energy services, at the lowest present value life cycle cost (including environmental and economic costs), through a strategy combining investments and expenditures on energy supply, transmission and distribution capacity, transmission and distribution efficiency, and comprehensive energy efficiency programs. The State currently allows for "economic development" rates for portions of the power used by businesses in Vermont subject to the approval of the Vermont Public Utility Commission (the "Commission"), formerly the Vermont Public Service Board, the State utility regulatory body that grants certificates of public good for all utility projects. Many businesses have filed for and received approval for such rates in conjunction with their service provider over the past several years including large manufacturers and ski resorts.

Electricity. Vermont has three types of electric utilities: (i) investor-owned utilities (1), (ii) municipal electric departments (14), and (iii) member-owned rural electric cooperatives (2). These 17 electric distribution companies range in size from small municipal electric departments with several hundred customers to one large investor-owned utility, Green Mountain Power ("GMP"), with more than 266,000 customers. Vermont's electric utilities are regulated monopolies and operate under a Certificate of Public Good ("CPG") granted by the

Commission. As regulated monopolies, rates and policies are subject to review by the Vermont Department of Public Service ("DPS") with approval by the Commission.

In recent years, there have been a number of developments that have contributed to the stability of the electric utility industry in Vermont. For example, Vermont is the only state in New England that has chosen not to restructure its electric industry by adopting retail competition. Because Vermont utilities own few of their own generation resources and participate in the New England electric wholesale market, State utilities share many characteristics with distribution companies in other New England states that have restructured. As such, when other states were moving aggressively toward retail choice, the State elected to preserve an approach where retail customers continue to receive service from vertically integrated, regulated electric utilities.[10] The State also has taken steps to move toward using more distributed energy sources — including wind, solar and other renewable sources. The State has set goals for Vermont to serve its energy needs from renewable sources, including to obtain 90% of its energy needs (including all uses such as electricity, heating and cooling, and transportation) from renewable sources by 2050. The State has set intermediate goals to obtain 25% of its energy needs from renewables by 2025 (including meeting 10% of the State's transportation energy needs from renewable sources by that same year), and 40% of the State's total energy needs from renewable sources by 2035 to facilitate its transition to the broader 2050 goal articulated above.

The State's energy goals also include taking steps to reduce per capita energy consumption in Vermont by 5% by 2025 and by more than 33% by 2050. The State also has renewable energy targets by source for electricity (at 67% renewable by 2025), thermal (at 30% renewable by 2025) and transportation (at 10% renewable by 2025). The State's progressive goals to reduce greenhouse gas emissions include a reduction target of 40% below 1990 levels by 2030 and a reduction target of between 80-95% below 1990 levels by 2050. A significant component of reaching the goals as set forth above is the reduction in energy use in aggregate and across all sectors. However, the State set specific consumption reduction targets for each sector separately. This was because Vermont's electric sector has had significant, prior success in reducing consumption by roughly one-third through a number of energy efficiency measures already undertaken across many users in this category. As a result, the State is expecting that most of the total energy consumption reduction going forward will likely come from the transportation and thermal (heating) sectors, largely through efforts to move away from inherently inefficient combustion technologies and toward electric vehicles and cold climate heat pumps.

Every six years, the DPS is required to complete and release updates to the State's Comprehensive Energy Plan (per 30 V.S.A. § 202b) (the "CEP") and the Vermont Electric Energy Plan (per 30 V.S.A. § 202) (the "EEP"). In January 2022, the DPS submitted the latest iteration of the CEP, which also included the most recent EEP to the Vermont General Assembly. The 2022 CEP was developed following a process that coordinated closely with other State agencies and with the recently created Vermont Climate Council, which was initiated through the Global Warming Solutions Act (Act 153 of 2020). See "MAJOR GOVERNMENTAL PROGRAMS AND SERVICES – Climate Change Initiatives" herein. This collaborative process ensured that the updated CEP will advance the State's policy objectives across multiple agencies and departments in numerous policy areas within State government.

All of the State's electric utilities, including the largest utility GMP, have ownership in generating facilities, including wind, biomass and solar, and have put in place several long-term power purchase agreements that will enable the State to have adequate energy supplies over the next several years. Examples of such agreements include, (1) an agreement with NextERA Energy Resources, LLC—the owner of the Seabrook, New Hampshire nuclear power plant—to purchase initially 60 megawatts of power (decreasing to 40 megawatts later on in the contract) over a 23-year period that commenced in May 2011; and (2) an agreement with Hydro-Quebec to purchase 225 megawatts of power over the 2012-2030 time period. Further, there are in place power supply agreements with other renewable energy projects, including a total of 82.8% of the output from the 99-megawatt Granite Reliable Wind generation project in Coos County, New Hampshire over the next 20 years.

In 2017, the State began implementation of the Renewable Energy Standard ("RES"), the first requirement in the State for electric utilities to provide renewable energy to their customers. Prior to this, programs were in place in the State to support development of renewable resources, but the renewable attributes could be sold out of state, and therefore the energy from these resources did not necessarily provide a renewable power supply source for State

[10] According to the DPS, a vertically integrated utility is one that is able to own generation resources or enter into long-term contracts with merchant generators. In other states, absent specific statutory mandates to the contrary, regulated utilities are not able to own generation or enter into contracts for periods of longer than five years.

residents and businesses. In addition, there are two current programs that predate the RES: (1) the Standard Offer program, and (2) the Net Metering program. The Standard Offer program is an economic development program that began in 2009 with a program capacity of 127.5 megawatts (MW). This program has undergone several changes since its implementation, with the most notable being an expansion of the initial 50 MW cap and a transition to a competitive procurement process. Net-Metering has been available to Vermont electric customers for over 20 years. The program started as an avenue for electric customers to reduce electric purchases from the utility with their own on-site generation. However, over the years, the program has transitioned to a mechanism that allows electric customers to invest in generation resources and reduce their electric bills. The output from projects built under these programs can be used for RES compliance, depending on the date the project was built. Based on experience to date, the DPS reports the RES has been successful in reducing Greenhouse Gas emissions with limited cost implications. This was reported to be in part due to program design, as well as the fact that the regional framework for tracking renewable attributes was put into place years ago by other New England states that had already adopted similar requirements. In addition to the power supply mandates, the RES requires electric utilities to reduce fossil fuel usage of their customers.

Nuclear Energy. Also affecting power supply on the regional level was the closure of the Vermont Yankee nuclear facility in Vernon (the "Vernon station"), owned and operated by Entergy Nuclear Vermont Yankee LLC ("Entergy"). The Vernon station permanently ceased electric power generation and was removed from the Independent System Operator in New England (ISO NE) grid on December 29, 2014. In January 2019, with approval from the Nuclear Regulatory Commission and the Commission, Entergy sold the Vernon station facility, its spent fuel, and its decommissioning trust fund to the New York-based NorthStar Group Services. Under the agreement, NorthStar has pledged to clean up most of the Vernon station site by calendar year 2030, well in advance of the plan set forth by Entergy's SAFSTOR-based decommissioning/cleanup plan. As of October 2023, NorthStar stated that the decommission was ahead of schedule and was estimated to be finished in 2026. The State continues to monitor developments surrounding the decommissioning of the Vernon station through the efforts of the DPS and the Commission.

Hydroelectricity. The State continues to closely track developments regarding the transmission of Canadian-generated electric power to under-supplied markets in other parts of the New England region. Given recent developments in other New England states, Vermont may still eventually play a supporting role in fulfilling at least some of this needed electric power transmission. In April 2017, TransCanada sold 13 hydroelectric power generation facilities located in the Connecticut River Valley (along the Connecticut and Deerfield Rivers between Vermont and New Hampshire) to Great River Hydro for $1.07 billion. Prior to the sale, TransCanada had owned the dams since 2005. These facilities have a combined "nameplate" generation capacity of 584 megawatts, which ranks this system as the largest conventional hydro-electric generation system in the New England region.

Natural Gas. Natural gas is an important source of energy, both environmentally and economically, in northwestern sections of Vermont that receive natural gas service through Vermont Gas Systems, Inc. ("VGS") transmission-distribution network. Natural gas is currently supplied to Vermont from a connection at Highgate Springs to the Trans Canada Pipeline. VGS serves more than 56,000 residential and nonresidential customers in the northwest region of the State through a network of more than 750 miles of underground transmission and distribution lines. The expansion of gas distribution systems within Chittenden County continues with additional transmission pipeline upgrade looping segments and other measures taken each year to increase the system's reliability.

In December 2013, VGS obtained a CPG from the Commission to undertake a roughly 43-mile expansion of its natural gas transmission pipeline from Chittenden and Franklin counties into Addison County. The expansion also included approximately five miles of new distribution mainlines in Addison County, together with three new gate stations located in Williston, New Haven, and Middlebury. The pipeline's construction was completed in 2017, and VGS has been continuously operating the system since April 2017.

Since the original approval of the Addison County project's CPG, there have been three major proceedings of significance related to the project: (1) a docket before the Commission as to whether pipeline construction's cost overruns and changes related to the cancellation of Phases 2 and 3 of the original construction plan required an amended CPG from the Commission, (2) an appeal by a citizen's group in an eminent domain proceeding employed by the project for a public land parcel used in the pipeline construction in the Town of Hinesburg, Vermont, and (3) a docket before the Commission relating to a violation of agreed-to construction standards for the portion of the pipeline through Clay Plains Swamp in New Haven, Vermont. The first proceeding was resolved when the Commission ruled that VGS was not required to obtain an amended CPG for the project changes. The decision was upheld after an appeal. The second proceeding was resolved in September 2017, when the Vermont Supreme Court upheld the decision by the Commission to allow the construction of the VGS pipeline to proceed through a municipally owned public park in Hinesburg, Vermont, which had "been taken" under the eminent domain procedures. The third proceeding involved whether VGS violated its CPG for the Addison County pipeline by failing to adhere to its agreed-to construction standards as set forth in the Commission's 2013 order, the CPG, and a memorandum of understanding (MOU) between VGS and Vermont Transco LLC/Vermont Electric Power Company, Inc. This third proceeding was resolved when the Commission ruled that VGS did violate the 2013 order and the CPG issued by the Commission. The Commission imposed a civil penalty on VGS for the violations, which the company paid promptly.

Telecommunications. Vermont currently has a robust and extensive telecommunications network. The State is currently served by well over a hundred companies that have been authorized by the Commission to provide local telephone service (though many companies are not actively marketing service), and hundreds more are authorized to provide long distance service within the State. Changing technology is bringing further options in the form of wireless service and Voice over Internet Protocol (VoIP), which provides a voice communications service similar to telephone service via a broadband internet connection.

Commercial and residential voice services is provided by ten incumbent local exchange carriers ("ILECs"). ILECs are the traditional carriers within their service territories and have a Provider of Last Resort (POLR) obligation to serve any reasonable request for service within their territory. Illinois-based Consolidated Communications ("CC"), which purchased FairPoint Communications for a reported $1.5 billion in July 2017, is the largest local phone company, serving about 85% of the State. CC is subject to an "incentive regulation" plan that allows it to introduce and change the prices of almost all services, but limits its ability to increase prices of dial-tone only services. The rates of Vermont's nine rural ILECs, or RLECs, which collectively serve about 15% of the State, are deregulated.

Within CC's service territory, consumers have choices of CC or various Competitive Local Exchange Carriers ("CLECs"), including two national cable video companies. The CLECs and toll providers are not subject to review of tariffs, but their prices are presumed to be reasonable due to their non-dominant position in the markets. Federal law allows the Commission to consider whether the terms of service offered by wireless carriers are clear and reasonable, but does not allow the Commission to establish limits on cellular service prices. Finally, the Federal Communications Commission has currently at least partially preempted State regulation of cable modem service and VoIP, and some issues of regulation of these new technologies remain uncertain.

Wireless telephone service in Vermont is provided by companies such as AT&T, Verizon Wireless, U.S. Cellular, T-Mobile, Sprint, and VTel Wireless. Of these providers, AT&T and Verizon Wireless have the deepest facilities-based penetration in Vermont. Mobile carriers are continuously expanding coverage and upgrading facilities to bring 4G/LTE service to existing coverage areas. The State's permitting regime has allowed expeditious deployment of wireless telecommunications facilities all around the State. Commercial Mobile Radio Service ("CMRS") providers offer both mobile and fixed data plans. Mobile data plans utilize a pricing model based on user consumption rather than speed of service. Mobile data services are often used to complement users' primary internet connections. Vermont users typically rely on mobile service when traveling, but use a wireline connection at home or in the office. For rural consumers, mobile data is increasingly becoming a significant source for broadband internet access.

The COVID-19 pandemic put a renewed focus on the importance of the availability and affordability of broadband for State residents to facilitate access in areas such as education, tele-health, community engagement, and the ability to work from home. In 2020, the Vermont General Assembly and the Governor allocated roughly $20 million of federal CARES Act dollars to help fund broadband expansion around the State. Also, under the ARP, Vermont received approximately $100 million to put toward the accelerated expansion of broadband in underserved areas in the State.

In 2021, the State enacted Act 71, which established the Vermont Community Broadband Board (the "VCBB"), a special purpose entity that is administratively embedded in the DPS. The VCBB's mission is to implement the State's goal of universal access to affordable high-speed broadband by coordinating, facilitating, supporting, and accelerating the development and implementation of universal community broadband solutions. The VCBB is developing policies and programs to accelerate community efforts that advance the State's goal of achieving universal access to reliable, high-quality, affordable, fixed broadband achieving speeds of at least

100 Mbps symmetrical. The VCBB is comprised of a five-member board appointed by the Governor and the General Assembly, as well as an executive director and staff.

Act 71 also specifically tasked the VCBB with funding and supervising Vermont's "communications union districts" ("CUDs") as they plan for and deploy the necessary infrastructure to facilitate the expansion of broadband service, specifically 100/100 Mbps service to all State E911 addresses. Roughly $7 billion of the $900 billion COVID Relief Act was set aside for the development of broadband capacity in rural areas, including federal funds to provide $50 per month to assist low-income households pay for broadband access. On June 26, 2023, President Biden announced that Vermont will receive $229 million to expand access to broadband in the state. The funds are part of the federal Broadband Equity, Access, and Deployment (BEAD) Program.

STATE FUNDS AND REVENUES

Budget Process

The Governor submits to the General Assembly, no later than the third Tuesday of every annual legislative session, a recommended budget for appropriations of State expenditures for the next succeeding fiscal year. The General Assembly then passes and presents an appropriations act to the Governor, which the Governor may sign into law, allow to become law without their signature, or veto. A two-thirds majority of both houses of the General Assembly is required to override a Governor's veto for the act to become law. Once the act has become law, expenditures can be made in accordance with their respective appropriations.

The budget process commences in July of each year when the Emergency Board formally adopts consensus revenue estimates for the upcoming fiscal year based upon economists' forecasts. See "REVENUE ESTIMATES" herein. The Department of Finance and Management makes provisional allocations to the various budgetary entities ("Departments"), and an assessment of funding required to continue operations at their current service level under current laws. Negotiation of revised or incremental funding levels, reflecting Departments' initiatives and priorities, one-time needs and directives from the Governor, while remaining within the projected revenue parameters, takes place through meetings between Departments and the Agency of Administration. Budget documents are submitted electronically, presenting appropriations and expenditures for the current and immediately prior fiscal years and the budget request for the subsequent fiscal year. The Emergency Board has historically adopted an updated revenue forecast in January of each year, which may result in revised funding and programmatic recommendations, which are then presented by the Governor to the General Assembly no later than the third Tuesday of every annual legislative session, as required by law. After extensive testimony, the General Assembly passes an appropriations act for consideration by the Governor. Once the act becomes law, spending controls ("appropriations") are established in the State's financial management system before expenditures can be made.

Budgets are prepared and appropriated on a cash basis. The Governor may amend appropriations within certain statutory limits. The Agency of Administration maintains budgetary control by fund at the appropriation level. Governmental funds' unspent appropriation balances revert to the fund balance at the end of each fiscal year for re-appropriation, unless authorized to be carried forward to the following year(s) by session law. Unexpended balances of capital projects funds are available for expenditure in the following fiscal year(s).

Internal Control System

Managers across State government are responsible for seeking opportunities to improve their business processes and program results. The State recognizes that appropriate internal controls must be in place to achieve these outcomes and minimize operational risks. The Department of Finance and Management works with departments across State government to assess and strengthen internal controls. An internal control system is designed to provide reasonable assurance regarding the achievement of objectives for effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations. The majority of these efforts are directed by a designated internal controls unit within the Department of Finance and Management. Tools developed to assist in this effort include annual internal control self-assessments, associated best business practices, quarterly newsletters, and performance of operational reviews in agencies and departments.

The State manages statewide accounting operations centrally through an Oracle-based enterprise-wide financial management system (VISION). Enterprise software improves the State's business processes by providing expanded functionality and by incorporating "best practices" and standardized procedures.

Annual Comprehensive Financial Report

The audit of the State's fiscal year 2023 Annual Comprehensive Financial Report (the "ACFR") was completed on January 26, 2024. The audited basic financial statements of the State for fiscal year 2023, together with CliftonLarsonAllen LLP's unmodified opinion on these statements, are included as Appendix A to this Official Statement and as part of the State's fiscal year 2023 ACFR (pages 13 through 224) at Finance & Management's website at https://finance.vermont.gov/reports-and-publications/annual-comprehensive-financial-report.

The Government Finance Officers Association of the United States and Canada (the "GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the State for its ACFR for the fiscal year ended June 30, 2022. This was the 15th consecutive year that the State has achieved this award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The State has submitted its fiscal year 2023 ACFR to the GFOA to determine its eligibility for additional certificates.

CliftonLarsonAllen LLP has not been engaged to perform and has not performed, since the date of its report referenced in this Official Statement, any procedures on the financial statements addressed in that report. CliftonLarsonAllen LLP has also not performed any procedures relating to this Official Statement.

All fiscal year 2024 and fiscal year 2025 information set forth in this Official Statement is preliminary, unaudited and subject to change.

Government-Wide Financial Statements

Vermont's Government-wide Financial Statements (the Statement of Net Position and the Statement of Activities) report information on all of the financial activities of both the primary government and its component units, except fiduciary activity. Fiduciary fund activity has not been included in the entity-wide statements in accordance with the requirements of GASB Statement No. 34. For the most part, the effect of interfund activity has also been removed from the government-wide statements. Primary government activities are segregated between governmental activities and business-type activities. Governmental activities' sources of revenues are normally tax receipts and inter-governmental revenues. Business-type activities rely, to a significant extent, on fees and charges for support. Further, the primary government is reported separately from its legally separate component units.

The statement of activities demonstrates the degree to which direct expenses of a given function, segment, or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use, or directly benefit from goods or services provided by a given function, segment, or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Items not properly included among program revenues are reported instead as general revenues. Taxes and other resources that are dedicated internally are reported as general revenues rather than as program revenues. The State does not allocate general government (indirect) expenses to other functions.

Net position (the amount by which assets and deferred outflow of resources exceed liabilities and deferred inflow of resources) are reported on the Statement of Net Position in three components:

(1) Net investment in capital assets – total amount of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds and other debt that is related to the acquisition or construction of those assets including related deferred outflows of resources and deferred inflows of resources.

(2) Restricted – for amounts when constraints placed on the net assets are either externally imposed or are imposed by constitutional provisions or enabling legislation.

(3) Unrestricted – the total net assets which do not fit the two preceding categories.

When both restricted and unrestricted resources are available for use, generally it is the State's policy to use restricted assets first with unrestricted resources utilized as needed.

Fund Structure

The State's financial statements are structured into three fund types: governmental, proprietary and fiduciary. The funds in the governmental and proprietary fund types are further classified as "major" or "non-major" depending upon their size in relation to the other funds and importance to the financial statement users, as required by Governmental Accounting Standards Board ("GASB") Statement No. 34.

Governmental Fund Types

In accordance with GASB Statement No. 54, the fund balance amounts for governmental funds are reported in classifications that comprise a hierarchy (nonspendable, restricted, committed, assigned or unassigned) based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

- **Nonspendable** fund balances include items that cannot be spent due to legal or contractual requirements to remain intact, and items that are not in spendable form.

- **Restricted** fund balances have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

- **Committed** fund balances can be used only for specific purposes pursuant to constraints imposed by a formal action of the Vermont General Assembly, the State's highest level of decision-making authority. The same type of formal action is necessary to remove or change the specified use.

- **Assigned** fund balances include amounts that are constrained by the State's intent to be used for a specific purpose, but are neither restricted or committed.

- **Unassigned** fund balances are the residual amount of the General Fund not included in the four categories above, and any deficit fund balances within other governmental fund types.

The general characteristics of the fund types are as follows.

<u>General Fund (Major Fund)</u>: By act of the General Assembly, the General Fund is established as the basic operating fund of the State. The General Fund is required to be used to finance all expenditures for which no special revenues have otherwise been provided by law. All revenues received by the State and not otherwise required by law to be deposited in any other designated fund or used for any other designated purpose are deposited in the General Fund. Unexpended and/or unencumbered appropriation balances will, unless otherwise directed by law, revert to fund balance at the end of the fiscal year to be re-appropriated in the future. See "RECENT GENERAL FUND, TRANSPORTATION FUND AND EDUCATION FUND OPERATING RESULTS – Budget Stabilization Reserves."

<u>Special Revenue Funds</u>: These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects, and include the following:

Transportation Fund (Major Fund): Revenues of this fund are used for expenditures associated with overall construction and maintenance of the State's transportation system, state police, debt service requirements on general obligation bonds and notes issued for transportation capital projects (which include the State Transportation and Highway bonds and notes). The principal sources of revenue in this fund are Motor Fuel Taxes, Purchase and Use Taxes, license and permit fees for motor vehicles, and reimbursements from the federal government for highway programs. Within the Transportation Fund there exists a sub-fund, the Transportation Infrastructure Bond Fund (the "TIB Fund"), to which assessments on gasoline and diesel fuel are credited as dedicated revenues. Under State law, these revenues are used first for debt service requirements on the State's special obligation transportation infrastructure bonds, any associated reserve or sinking funds and any associated costs of such bonds. To the extent additional TIB Fund resources are available for such purposes, these revenues are used for pay-as-you-go capital projects or other authorized purposes. See "STATE INDEBTEDNESS – Transportation Infrastructure Bonds" herein. Unexpended and/or unencumbered appropriation balances will, unless otherwise directed by law, revert to fund balance at the end of the fiscal year to be re-appropriated in the future. See "RECENT

GENERAL FUND, TRANSPORTATION FUND AND EDUCATION FUND OPERATING RESULTS – Budget Stabilization Reserves."

Education Fund (Major Fund): Established by the Equal Educational Opportunity Act of 1997 and effective July 1, 1998, the revenues of this fund finance the State's support of K-12 public education, as well as property tax reform. In accordance with 16 V.S.A. 4025(a) as amended, the sources of revenue in this fund are as follows: statewide education property tax; revenues from the State lotteries; revenue from the electric generating plant education property tax; revenue from Sales and Use Tax; one-third of the motor vehicle Purchase and Use Tax; 25% of the Meals and Rooms Tax; Medicaid reimbursements pursuant to 16 V.S.A. 2959a(f) and (g) and funds appropriated or transferred by the General Assembly. Unexpended and/or unencumbered appropriation balances will, unless otherwise directed by law, revert to fund balance at the end of the fiscal year to be re-appropriated in the future.

Federal Revenue Fund (Major Fund): All federal grant receipts are recorded in this fund, except for those federal funds specifically earmarked for the Global Commitment to Health Medicaid section 1115 waiver, transportation or fish and wildlife purposes. Grants of these types are recorded in the State's Global Commitment Fund, Transportation Fund and Fish and Wildlife Fund, respectively. Major categories of expenditure within the Federal Revenue Fund are for various health, education and welfare programs, the State counterpart of which is reflected in the General and Special Funds.

Special Fund (Major Fund): These funds account for proceeds of specific revenues not otherwise categorized that are limited to expenditures for specific purposes. These purposes cover the entire spectrum of State government. Included in the Special Fund is the Cash Fund for Capital and Essential Investments, a "PayGo" fund created by legislation passed in fiscal year 2022 to fund certain capital project costs as an alternative to the issuance of general obligation bonds. See "STATE INDEBTEDNESS – Cash Fund for Capital and Essential Investments."

Global Commitment (to Health) Fund (Major Fund): This is a major special revenue fund created in 33 V.S.A. 1901e. It is the result of Vermont entering into a Medicaid demonstration waiver agreement with the Federal government. During fiscal year 2022, the waiver agreement was renewed through December 31, 2027.

Fish and Wildlife Fund (Non-major Fund): Receipts are restricted by statute and can only be used for fish and wildlife purposes. The principal sources of revenue are license fees and Federal grants.

<u>Capital Project Funds (Non-major Funds)</u>: These funds account for capital improvement appropriations that are or will be primarily funded by the issue of State bonds. Separate bond funds are maintained as corollaries to both the General Fund and Transportation Fund.

<u>Debt Service Funds (Non-major Funds)</u>: These funds account for and report financial resources that are used to pay debt principal and interest. Separate debt service funds are maintained for general obligation bonds and special obligation transportation infrastructure bonds. Appropriated General, Transportation and Special Fund resources are transferred to the General Obligation Bonds Debt Service Fund for debt service payments on general obligation bonds. Appropriated TIB Fund resources are transferred to the Transportation Infrastructure Bonds Debt Service Fund for debt service payments on special obligation transportation infrastructure bonds. During fiscal year 2022, the State redeemed all remaining outstanding special obligation transportation infrastructure bonds.

<u>Permanent Funds (Non-major Funds)</u>: These nine funds report resources that are legally restricted to the extent that only earnings, not principal, may be expended for purposes that benefit the government or its citizenry, such as higher education, cemetery care and monument preservation.

Proprietary Fund Types

<u>Enterprise Funds</u>: These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the State's intent is that the costs of providing goods or services to the public be financed or recovered primarily through user charges, or (b) where the State has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. These types of funds are reported in both major (3 funds) and non-major (6 funds) categories as described above.

Internal Service Funds: There are 24 funds of this non-major type reported by the State. These funds are used to account for the financing of goods and services provided by one State department or agency to other State departments, agencies, or other governmental units on a cost-reimbursement basis. These funds are consolidated into one column and are reported in the Proprietary Funds' financial statements.

Fiduciary Fund Types

These funds account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, other governmental units or other funds. These funds include the following:

Pension and Other Employee Benefit Trust Funds: These funds are used to report assets and associated financial activity that are held in trust for the members and beneficiaries of the Vermont State Retirement (defined benefit) System, the Vermont State Defined Contribution Retirement System, the State Teachers' Retirement (defined benefit) System, the Vermont Municipal Employees' (defined benefit) Retirement System, the Vermont Municipal Employees' Defined Contribution Plan, the State's Single Deposit Investment Account, the State Employees' Postemployment Benefit Trust Fund, the Retired Teachers' Health and Medical Benefit Fund and the Vermont Municipal Employees' Health Benefit Fund. See "PENSION PLANS."

Private Purpose Trust Fund: The State's only fund in this category is the *Unclaimed Property Fund*, which accounts for all abandoned property that is required to be remitted to the State. The State Treasurer administers procedures for returning this property to its rightful owner if such owner can be located. In addition to monetary assets, from time to time the State Treasurer may have custody of tangible property that has not been valued and therefore is not reported in the financial statements. Each year, the fund retains the greater of $100,000 or 55 percent of the amount received during the previous year, and the balance is transferred to the General Fund. Amounts for which the eligibility period for being claimed has expired are transferred to the Higher Education Endowment Fund (a permanent fund).

Custodial Funds: These funds report fiduciary activities that are not required to be reported in another fiduciary fund type. This includes funds that are held for the benefit of individuals, organizations, or other governments that are not part of the State's reporting entity, such as local option taxes, fines, and fees collected on behalf of other governments, and child support collections for individuals.

GAAP-Based Fund Results

The following is selective comparable financial information based on audited financial data for specific governmental funds for fiscal years ending June 30, 2023 and 2022 as contained in each fiscal year's ACFR.

As of June 30, 2023, the General Fund had a $1,064.3 million total fund balance as compared to a $847.0 million total fund balance as of June 30, 2022, an increase of $217.3 million. This increase is a combination of a $190.8 million increase in the unassigned portion of this fund balance to $960.9 million in 2023, a $15.5 million increase in the assigned portion of this fund balance to $52.5 million in 2023, and a $11.0 million increase in the nonspendable portion of this fund balance to $50.9 million in 2023. As of both June 30, 2023 and June 30, 2022, there was no fund balance in the General Fund categorized as restricted or committed.

As of June 30, 2023, the Transportation Fund had a total fund balance of $47.7 million, as compared to a $55.4 million total fund balance as of June 30, 2022, a decrease of $7.7 million. This decrease is a combination of a $16.4 million decrease in the committed portion of this fund balance to $38.7 million in 2023, offset by a $8.7 million increase in the restricted portion of this fund balance to $9.0 million in 2023. The committed fund balance includes the statutory budget stabilization reserve. As of both June 30, 2023 and June 30, 2022, there was no fund balance in the Transportation Fund categorized as nonspendable, assigned, or unassigned.

As of June 30, 2023, the Education Fund had a committed and total fund balance of $233.4 million, as compared to a $266.9 million total fund balance as of June 30, 2022, a decrease of $33.5 million. The committed fund balance includes the statutory budget stabilization reserve. As of both June 30, 2023 and June 30, 2022, there was no fund balance in the Education Fund categorized as nonspendable, restricted, assigned, or unassigned.

As of June 30, 2023, the budget stabilization reserves in the General, Transportation, and Education Funds were funded at their respective maximum statutory levels as determined on a budgetary basis of accounting.

As of June 30, 2023, the Global Commitment Fund had a restricted and total fund balance of $25.9 million, an increase of $5.5 million compared to the balance as of June 30, 2022. See "MAJOR GOVERNMENTAL PROGRAMS AND SERVICES – Medicaid and State Health Insurance Initiatives" herein. The Global Commitment Fund has no legislatively mandated budget stabilization reserve.

As of June 30, 2023, the Federal Revenue Fund reported a total fund balance of $558.7 million, which was an increase of $34.9 million compared to the June 30, 2022 balance of $523.8 million. The entire fund balance is restricted by agreements with the grantors. There is no budget stabilization reserve in the Federal Revenue Fund.

State General Fund Revenues

Prior to fiscal year 2019, the principal sources of State General Fund revenues were the Personal Income Tax, the Corporate Income Tax, a general State Sales and Use Tax, and a Meals and Rooms Tax. These four tax sources accounted for 87.2% of the General Fund revenue in fiscal year 2018. In 2018, the Vermont General Assembly passed Act 11 of 2018, which, effective July 1, 2018 (corresponding to the beginning of fiscal year 2019), ended the annual transfer from the General Fund to the Education Fund and dedicated 100% of revenues from the State Sales and Use Tax and 25% of revenues from the Meals and Rooms Tax to the Education Fund (prior to Act 11, these sources of revenue were dedicated to the General Fund). Further, in 2019 the Vermont General Assembly passed Act 6 of 2019, which, effective retroactively as of July 1, 2018 (corresponding to the beginning of fiscal year 2019), brought a series of health care taxes and fees into the General Fund. Accordingly, commencing in fiscal year 2019, the principal sources of State General Fund revenues are the Personal Income Tax, the Corporate Income Tax, a Meals and Rooms Tax, and revenues from various health care taxes, fees and assessments. In fiscal year 2023 (the latest fiscal year where complete and final revenue receipts data are available), these reconfigured revenue sources accounted for $1,969.7 million in revenue, corresponding to 88.5% of the total revenue available to the General Fund in fiscal year 2023.

The following is a brief discussion of the principal General Fund revenue sources for fiscal year 2023.

Personal Income Tax: From January 1, 1994 through December 31, 1999, Vermont Personal Income Tax was calculated as 25% of a taxpayer's federal income tax liability. On January 1, 2000, the Vermont Personal Income Tax rate was reduced to 24% of the taxpayer's federal income tax liability. For tax years 2001 and 2002, Vermont Personal Income Tax liability was redesigned to substantially maintain the State's revenue base prior to the passage of the federal tax cuts that were effective in 2001 and in 2003. During the 2002 meeting of the Vermont General Assembly, the temporary measure of calculating Vermont income tax based on federal taxable income for tax years 2001 and 2002 was made permanent by the development and implementation of standardized Vermont tax tables utilizing the same revenue base maintenance approach devised under the 2001 to 2002 temporary change. During the 2015 session, the Vermont General Assembly passed legislation that reduced or eliminated certain tax deductions for Vermont Personal Income Tax purposes. These included the elimination of the deduction for state and local taxes paid, and placed a cap at 2 ½ times the standard deduction (excluding medical and charitable deductions) on the amount of itemized deductions for taxpayers. In addition, the 2015 changes included a 3.0% minimum Vermont Personal Income Tax for all filers with an adjusted gross income at or above $150,000. During the 2018 special legislative session, the General Assembly passed a proposal initially set forth by the Governor to adjust Vermont tax rates and make other changes designed to offset the resulting revenue-raising impacts of the federal Tax Cuts and Jobs Act of 2017 (the "TCJA") on Vermont State income taxpayers (which were expected to result in a net state tax increase of $30 million to be borne by Vermont taxpayers). In particular, the final legislation (i) set by law the amounts for the State standard deduction and personal exemption (rather than cross-referencing federal definitions), thus eliminating the adverse impact of the TCJA changes to those two items; (ii) eliminated itemized deductions in Vermont[11]; (iii) eliminated the second highest income bracket; (iv) reduced the tax rate on all the remaining four income brackets by 0.2% (offsetting the increase in the tax base affected by clause (ii) of this sentence); and (iv) included a charitable donation tax credit of 5% and increased the earned income tax credit to 36% (from 32%). The final legislation offset much of the TCJA's increases on many middle-income Vermont households and significantly reduced the State income tax consequences of the TCJA's revenue-raising provisions, while simultaneously increasing the stability of Vermont's personal income tax revenue by broadening the tax base and decoupling State taxes from federal definitions. In fiscal year 2021, Personal Income Tax revenues were supported by the unprecedented amount of federal pandemic assistance payments that came to the State via the

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[11] Key provisions of the TCJA significantly reduced the number of "itemized filers" in the tax years subsequent to the passage of the TCJA. With a smaller percentage of taxpayers filing "itemized returns," the Vermont General Assembly also took actions to eliminate the recognition of itemized deductions in Vermont for simplicity and to increase the taxable income base subject to State income taxes.

various federal pandemic assistance bills, the continuation of historically low interest rates and business liquidity assistance through the Federal Reserve, which maintained asset prices, and strong performance by U.S. stock markets.

During the 2022 session of the General Assembly, a series of measures were implemented. These included, among other relatively minor changes effective for tax year 2023: (1) a phased, refundable State tax credit for Vermont child care expenses of $5,000 for children up to age 5 based on Adjusted Gross Income ("AGI"), (2) an expansion to a fully refundable child and dependent care State tax credit from 24% to 72% of the federal credit (including a change to make the State credit refundable), (3) an increase in the State Earned Income Tax Credit ("EITC") from 36% of the federal EITC to 38% of the federal EITC, (4) an increase in the income thresholds for the State's Social Security income exemption by $5,000 (with single tax filers below $50,000 AGI and married filing jointly filers below $65,000 AGI receiving a full Vermont tax exemption for their Social Security benefits); (5) the creation of a new $10,000 retirement income exemption for Civil Service Retirement System ("CSRS") and military retirees for single tax filers below $50,000 AGI and married filing jointly filers below $65,000 AGI, and (5) a temporary Vermont Student Loan interest deduction for single tax filers below $120,000 AGI and married filing jointly filers below $200,000 AGI for fiscal years 2023 and 2024. During fiscal year 2023, Personal Income Tax revenues were $1,210.0 million or 54.4% of revenues available to the General Fund.[12]

Corporate Income Tax: From January 1, 1997 until January 1, 2006, the net income of corporations was taxed at the greater of $250 or the following rates: first $10,000 – 7.0%; next $15,000 – 8.1%; next $225,000 – 9.2%; excess over $250,000 – 9.75%. For tax year 2006, the tax was the greater of $250 or: first $10,000 – 6%; the next $15,000 – 7%; next $225,000 – 8.75%; excess over $250,000 – 8.9%. Beginning in 2007, the rates were unchanged through $25,000 and the rate on the excess over $25,000 was 8.5%. For the tax years beginning in 2002, Vermont made adjustments to its Corporate Income Tax designed to substantially maintain the State's tax base that was in effect prior to the changes in depreciation expenses included in federal stimulus legislation effective in 2001. Subsequent federal bonus depreciation legislation has not reduced the State's base because of these adjustments. Beginning with tax year 2006, the income of affiliated corporations operating a unitary business was computed using the combined reporting methodology. Also beginning with tax year 2006, the three-factor formula for apportioning income earned from a multi-state business was modified to weight the percentage of sales in the State at 50% and the percentage of property and payroll at 25% each (prior law weighted each factor as one-third). Beginning on July 1, 1998, 19% of the gross tax collected on corporate income (including S corporations, partnerships, and limited liability companies) was allocated from the General Fund to the Education Fund. Effective July 1, 2004, 100% of the gross receipts from this tax remains in the General Fund. Corporate Income Tax receipts in recent years have been impacted by mergers and acquisitions activity within the State and the impacts associated with the TCJA, which included the repatriation of corporate profits from overseas operations for some multinational taxpayers. In addition, in June 2019 the General Assembly passed Act 51 of 2019, which made certain changes to Vermont tax laws, including the adoption of market-based sourcing. Pursuant to this legislation, commencing in tax years beginning on or after January 1, 2020, a multistate corporation's sales, other than sales of tangible personal property, will be sourced to Vermont if the taxpayer's market for the sale is in Vermont. A significant portion of the increased Corporate Income Tax receipts received during fiscal years 2021 through 2023 appear to have been tied to this tax law change. In fiscal year 2023, receipts from the Corporate Income Tax were $281.4 million or 12.6% of the revenues available to the General Fund.

Meals and Rooms Tax: A 9% tax is imposed on taxable meals and the rent for each occupancy. The Meals and Rooms Tax imposed on liquor consumed on the premises is 10%. Through June 30, 2004, the law required a statutory transfer of 20% of gross receipts less the sum of $1.56 million from the General Fund to the Education Fund. Since July 1, 2004, 100% of the gross receipts from this tax will remain in the State's General Fund. During the 2015 session, the Vermont General Assembly passed legislation that made the 9% meals tax applicable on all food sold in vending machines effective July 1, 2015. Since fiscal year 2017, the State has been receiving rental occupancy revenues from various short-term rental accommodation providers (such as Airbnb) in the State that previously had not been remitting Meals and Rooms Tax to the State. Pursuant to Act 11 of 2018, commencing in fiscal year 2019, 25% of Meals and Rooms Tax revenues is allocated to the Education Fund and 75% of Meals and Rooms Tax revenues is allocated to the General Fund (see "STATE FUNDS AND REVENUES – State Education Fund Revenues"). Beginning in October 2020, 6% of gross Meals and Rooms Tax revenues previously allocated to the General Fund were instead earmarked to the Clean Water Fund ("CWF") (a new special fund created to provide resources to assist in pollution mitigation efforts for Lake Champlain) pursuant to Act 96 of 2019 as the long-term sustainable source of long-term water funding as required by the Vermont Clean Water Act (Act 64 of 2015). (See

[12] The term "available" in this context means "available" revenues for the purposes of appropriations in the General Fund.

"MAJOR GOVERNMENTAL PROGRAMS AND SERVICES – Clean Water Initiatives" herein.) Accordingly, commencing October 2020, 69% of Meals and Rooms Tax revenues is allocated to the General Fund, 25% of Meals and Rooms Tax revenues is allocated to the Education Fund and 6% of Meals and Rooms Tax revenues is allocated to the CWF. In fiscal year 2023, aggregate Meals and Rooms Tax revenues amounted to $237.7 million, as revenues continued to recover from the depressed levels of travel and tourism activity associated with the COVID-19 pandemic. Of this amount, $163.9 million or 69% of aggregate Meals and Rooms Tax revenues was allocated to the General Fund (accounting for 7.4% of the revenues available to the General Fund). A total of $59.4 million or 25% of aggregate Meals and Rooms Tax revenues was allocated to the Education Fund (as discussed below), and the remaining $14.4 million (or 6%) was earmarked to the CWF.

Insurance Tax: Insurance companies are taxed at a rate of 2.0% per annum on the gross amount of premiums and assessments written in the State, exclusive of premiums for reinsurance. Additionally, captive insurance companies are taxed based on the volume of premiums written. The rate schedule for captive insurance rates was reduced in 2003 to a range from .0038 to .00072 (from previous rates of .004 to .00075) in order to reinforce the State as a preferred domicile for captive insurers in an increasingly competitive industry climate. In fiscal year 2023, primarily as a result of record high collections ($31.5 million) in the captive insurance premiums component of the Insurance Tax, insurance tax receipts were $68.8 million or 3.1% of the revenues available to the General Fund.

Telephone Receipts and Property Tax: In addition to the general Corporate Income Tax, a tax of 2.37% is levied on net book value of personal property in the State of persons or corporations owning or operating a telephone line or business within the State. For businesses with less than $50,000,000 in annual gross operating receipts in the State in the preceding taxable year, taxpayers may elect to pay the gross receipts tax of 5.25% in lieu of the income and property tax. Effective June 7, 2004, no new elections to pay the gross receipts tax may be made. Beginning in fiscal year 2017, payers of the property tax portion of the State's Telephone Tax were required to make monthly payments of their tax liabilities instead of quarterly. In fiscal year 2023, telephone receipts and property taxes generated $2.4 million or 0.1% of revenues available to the General Fund.

Real Property Transfer Tax: A tax is imposed upon the transfer by deed of title to property located within the State. The rate is 0.5% on the first $100,000 of a purchaser's principal residence and 1.25% on the amount over $100,000. For a non-principal residence, the rate on the entire amount is 1.25%. Beginning in fiscal year 2000, 33% of the receipts from the property transfer tax are retained by the General Fund, and the remainder deposited directly into the Housing and Conservation Trust Fund and the Municipal and Regional Planning Fund. In recent years, the General Assembly has often modified this formula to the benefit of the General Fund. During the 2015 session, the Vermont General Assembly passed legislation that imposed a 0.2% surcharge on all transactions subject to the Property Transfer Tax for the period from July 1, 2015 through June 30, 2018. The proceeds of this surcharge were earmarked for the CWF. The 2017 Vermont General Assembly repealed the June 30, 2018 sunset of the 0.2% Property Transfer Tax surcharge on all transactions subject to the Property Transfer Tax and extended it through June 30, 2027. From July 1, 2027 through June 30, 2039, the 2017 Vermont General Assembly reduced the surcharge to 0.04%. The 0.04% surcharge then sunsets on July 1, 2039. The proceeds of the surcharge through June 30, 2017 were earmarked for the CWF. For fiscal year 2018 and beyond, the proceeds of the surcharge will be used to support affordable housing funded through the Vermont Housing and Conservation Trust Fund (the "VHCTF") and clean water initiatives funded through the CWF. Annually until the surcharge sunsets in 2039, the VHCTF will receive the first $1.0 million of all Property Transfer Tax surcharge revenue with the exception of fiscal year 2018. For fiscal years 2018 and 2019, the first $1.0 million in surcharge revenue was deposited in the General Fund. The remainder of all surcharge revenue until June 30, 2027 must be deposited into the CWF. After June 30, 2027, when the surcharge rate declines to 0.04%, the remainder of all surcharge revenue will be deposited into the VHCTF. In addition, as authorized by the 2017 Vermont General Assembly, commencing in fiscal year 2019, the first $2.5 million of collected gross Property Transfer Tax receipts each fiscal year are required to be transferred to the Vermont Housing Finance Agency (the "VHFA") for payment of principal and interest on bonds issued in January 2018 to facilitate the construction of affordable housing in Vermont (see "STATE INDEBTEDNESS – Reserve Fund Commitments" herein). Further, in 2019, the Vermont General Assembly expanded the taxable base of the Property Transfer Tax and Clean Water Surcharge base to include "controlling interests."[13] In fiscal year 2023, gross receipts from the Property Transfer Tax totaled $69.2 million. After the required transfer of $1.0 million to the VHCTF, $2.5 million to VHFA and other required statutory transfers, net receipts totaling $21.6 million or 1.0%

[13] This would include property transfers where a business or entity takes a majority ownership stake in a property without a title change.

of revenues available were retained by the General Fund and were available for General Fund appropriations in fiscal year 2023.

Liquor Tax: A tax of 25% of gross revenues is assessed upon the sale of spirituous liquor. In fiscal year 2020, gross liquor taxes generated $21.6 million or 1.3% of General Fund revenues available for appropriation. Beginning in fiscal year 2020, the Liquor Tax has been re-structured as an annual transfer to the General Fund by the Department of Liquor Control from revenues tied to its annual profits from operations with receipts from a single remaining tax assessment inuring directly to the State's General Fund. In fiscal year 2023, the single remaining Liquor Tax revenue source that is posted to the General Fund totaled $5.1 million or 0.2% of General Fund revenues available for appropriation.

Beverage Tax: Beverage taxes are levied on bottlers and wholesalers of malt and vinous beverages at the rates of $0.265 and $0.55 per gallon, respectively. Vinous beverages are also subject to the general State sales tax. Beverage tax receipts accounted for $7.3 million or 0.3% of General Fund revenues available for appropriation in fiscal year 2023.

Estate Tax: Transfers of estates are taxed in an amount equal to the federal credit for State death taxes as computed from the Internal Revenue Code in effect on January 1, 2001. For tax year 2009 through tax year 2019, the Estate Tax exclusion for the State ranged from a low of $2.0 million (in tax year 2009) to a high of $2.75 million (by tax year 2019). Beginning on January 1, 2020, the Estate Tax exclusion rose from $2.75 million to $4.25 million. On January 1, 2021, the estate tax exclusion increased to $5 million, and will be applied to estates of decedents with a date of death on or after January 1, 2021. The Estate Tax accounted for $18.6 million or 0.8% of revenues available to the General Fund in fiscal year 2023.

Bank Franchise Tax: The State levies a bank franchise tax based on average monthly deposits. The tax rate on such deposits was increased from .004% to .0096% pursuant to Act 60 Property Tax Reform legislation. Beginning on July 1, 1998 and through June 30, 2004, 58.3% of total collections in this tax source are allocated to the Education Fund. As of July 1, 2004, 100% of gross receipts from this tax have been dedicated to the General Fund. Beginning in fiscal year 2017, tax payments were to be remitted monthly instead of quarterly. For fiscal year 2023, bank franchise tax revenues were $17.8 million, which represented 0.8% of revenues available to the General Fund.

Health Care Taxes-Revenues: Beginning in fiscal year 2019, Act 6 of 2019 directed a series of taxes, fees, and assessments on cigarette-tobacco-vaping products, and on a defined set of health care services and activities undertaken by providers in the State, to be reported under the General Fund and become a part of the consensus State revenue forecasting process. As a result, commencing in fiscal year 2019, the State's General Fund includes revenues from: (1) the State tax on cigarette, tobacco, and vaping products (at $74.8 million in fiscal year 2023 or 3.4% of the revenues available to the General Fund), (2) a health care claims tax (at $18.0 million in fiscal year 2023 or 0.8% of the revenues available to the General Fund), (3) an employer assessment (at $24.9 million in fiscal year 2023 or 1.1% of the revenues available to the General Fund), (4) a hospital provider tax (at $173.9 million in fiscal year 2023 or 7.8% of the revenues available to the General Fund), (5) a nursing home provider tax (at $14.6 million in fiscal year 2023 or 0.7% of the revenues available to the General Fund), (6) a home health care provider tax (at $6.1 million in fiscal year 2023 or 0.3% of the revenues available to the General Fund)[14], and (7) a number of revenue assessments on selected health care activities in the State (at $2.0 million in fiscal year 2023 or 0.1% of the revenues available to the General Fund). Together, these revenue sources totaled $314.3 million in collections in fiscal year 2023, corresponding to 14.1% of revenues available to the General Fund.

Other Taxes-Fees: In addition to the taxes discussed above, the State levies taxes and other minor fees and related income (including net interest earnings on cash balances allocable to the General Fund) that are credited to the General Fund. Commencing in fiscal year 2017, this category included a doubling in securities registration fees as passed by the 2016 Vermont General Assembly. This category also includes revenues from Sales of Services, Business Licenses, State-assessed Fines, Forfeits and Penalties[15], a new Cannabis Excise Tax (beginning in fiscal

[14] The Home Health Provider Tax was repealed effective July 1, 2023 by action taken during the 2023 Session of the Vermont General Assembly.

[15] Such as one-time revenues received in fiscal year 2017 from tax preparer software companies to compensate the State for tax year 2016 errors pertaining to the Personal Income Tax changes enacted by the 2016 Vermont General Assembly.

year 2023)[16], and revenues from Net Interest earnings on State bank balances at financial institutions in the State, which have recently been at elevated levels, reflecting a combination of higher cash balances in the State's interest bearing accounts from federal pandemic assistance monies and higher interest rates. Largely due to the high levels of Net Interest revenues (at $51.1 million), net revenues in this category for fiscal year 2023 increased to $113.3 million or 5.1% of revenues available to the General Fund. See "RECENT GENERAL FUND, TRANSPORTATION FUND AND EDUCATION FUND OPERATING RESULTS – Cash Balances."

State Transportation Fund Revenues

The following is a brief discussion of the major sources of Transportation Fund revenues and the amount derived from each source in fiscal year 2023.

Purchase and Use Tax: A Purchase and Use Tax that is equivalent to the sales tax rate is assessed on the "taxable cost" (purchase price or value, less allowance for resale value of buyer's used vehicle) upon first registration of the motor vehicle. Effective August 1, 1997, the Purchase and Use Tax was increased from 5% to 6% pursuant to Act 60 property tax reform legislation. Beginning on July 1, 1998, 16.7% of total collections in this tax source began to be deposited directly into the Education Fund. Effective July 1, 2000, a $750 ceiling on trucks over 6,100 lbs., agricultural vehicles, school buses, trailers, and motorcycles was increased to $1,100. As of July 1, 2004, one-third of gross receipts collected under this tax is deposited directly into the Education Fund pursuant to Act 68 of the Acts of 2003. During the 2006 session, the Vermont General Assembly changed the statutory cap on taxes paid to $1,680 effective July 1, 2007. The 2009 Vermont General Assembly and the 2016 Vermont General Assembly also made minor changes to this tax (e.g. an increase in the dollar amount of the cap on truck purchases below which this tax is assessed). After the statutory transfer of one-third of gross revenue receipts to the Education Fund, net revenues to the State Transportation Fund in fiscal year 2023 totaled $94.8 million, representing 32.1% of net revenues available to the Transportation Fund. Pursuant to the fiscal year 2024 budget, commencing January 1, 2024, the so-called "truck cap maximum" for the Purchase and Use Tax was increased from $2,075 to $2,486 to help offset the effects of vehicle price inflation. This change is expected to positively impact revenues over the second half of fiscal year 2024 and beyond.

Motor Vehicle Fees: A registration fee is collected on all motor vehicles and trailers with the amount determined by the type, size, weight, and function of the vehicle. Driver's license fees are also included in this category as well as miscellaneous registration and license fees. During the 2006 session, the Vermont General Assembly passed legislation that generally increased all motor vehicle fees effective July 1, 2007. In 2009, 2012, and 2016, the Vermont General Assembly increased certain fees. In fiscal year 2023, motor vehicle fees accounted for $87.5 million, or 29.6% of net revenues and fees available to the Transportation Fund. Pursuant to the fiscal year 2024 budget, commencing January 1, 2024, most fees in this component were increased to account for the effects of increased inflation. These changes are expected to positively impact revenues over the second half of fiscal year 2024 and beyond.

Motor and Diesel Fuel Taxes: Effective August 1, 1997, pursuant to Act 60 property tax reform legislation, gasoline distributors are taxed at a rate of 19.0 cents (plus one cent per gallon petroleum licensing fee) per gallon sold. Beginning on July 1, 1999 and through June 30, 2004, 16.0% of total Gasoline Tax collections were allocated to the Education Fund. Effective July 1, 2004, 100% of the tax collected from gasoline distributors is dedicated to the Transportation Fund pursuant to Act 68 of the Acts of 2003. In fiscal year 2009, the Vermont General Assembly imposed a 2% assessment on the retail price of gasoline. Revenue from the assessment (along with a 3 cent-per-gallon assessment on diesel fuel that is collected at the wholesale level) is segregated from all other Transportation Fund revenue in a special fund, the TIB Fund, which is dedicated to the payment of the debt service on transportation infrastructure revenue bonds. See "STATE INDEBTEDNESS – Transportation Infrastructure Bonds" herein. Effective May 1, 2013, the ad valorem per gallon tax on gasoline was reduced from 19.0 cents per gallon to 18.2 cents per gallon and a new 2% Transportation Fund Assessment on the quarterly retail price of gasoline (subject to a 6.7 cents per gallon minimum and a 9.0 cents per gallon maximum) was levied through June 30, 2014. Effective July 1, 2014, a 4% levy is assessed on the retail price of gasoline (with a floor of 13.4 cents per gallon and a maximum of 18 cents per gallon) and the ad valorem tax per gallon was reduced by 6.1 cents to 12.1 cents per gallon. Since 2014, there have been only minor adjustments (e.g. a change in the shrinkage allowance) to this tax.

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[16] In 2020, the Vermont General Assembly passed legislation that established a Cannabis Control Board and imposed a 14% excise tax on cannabis sales. Thirty percent (30%) of this excise tax will be allocated to prevention activity. The Cannabis Control Board also made all cannabis sales in the State subject to the Sales and Use Tax. See "STATE FUNDS AND REVENUES – State Education Fund Revenues".

In fiscal year 2023, the motor fuel tax accounted for $73.8 million or 25.0% of net revenues available to the Transportation Fund.

Since 2000, a Diesel Tax has been imposed at the distributor level at 25 cents per gallon. Diesel fuel is also subject to the one-cent petroleum-licensing fee. Effective July 1, 2013, the ad valorem per gallon tax on diesel fuel was increased from 25 cents per gallon to 27 cents per gallon through June 30, 2014. Effective July 1, 2014, the Diesel Tax increased to 28 cents per gallon. Since 2014, there have been only minor adjustments (e.g. a change in the shrinkage allowance) to this tax. In fiscal year 2023, the Diesel Tax accounted for $17.6 million or 6.0% of net revenues available to the Transportation Fund.

Other Taxes-Fees: These categories include all remaining sources of revenue for the Transportation Fund except Federal receipts. Some of the items are registration fees on off-road vehicles, inspection sticker fees, title certificates, oversize permits, motorcycle training fees, trip permits, a tax on jet fuel, rail revenue, and revenue from judicial fines and penalties. During the 2006 session, the Vermont General Assembly passed legislation that changed the level of several fees in this category effective July 1, 2007. The 2009 Vermont General Assembly also changed other fees, effective July 1, 2009. Since 2009, there have been only minor changes made to this group of taxes and fees. In fiscal year 2023, these other sources of revenues accounted for $21.4 million or 7.2% of net revenues available to the Transportation Fund. As with the Purchase and Use Tax and Motor Vehicle Fees categories above, pursuant to the fiscal year 2024 budget, commencing January 1, 2024, some fees in this category were increased to help offset the effects of inflation. These changes are expected to positively impact revenues over the second half of fiscal year 2024 and beyond.

State Education Fund Revenues

In 1997, Vermont passed comprehensive legislation aimed at responding to a Vermont Supreme Court decision holding its system of funding education unconstitutional. The resulting law, known as Act 60, mandated substantial change to both the focus and funding of K-12 education. The focus of the system is on academic outcomes for children, incorporating standards based on performance and assessment while making the funding effort equitable between towns. The State has made several major changes to its funding model for primary and secondary public education since 1997.

Prior to Act 60, each school district funded educational expenditures within that district and set property tax rates and collected school taxes from the property owners of the district. School tax rates were determined by each school district and ranged from as little as $0.125 per $100 of listed property value in one school district to over $3.00 per $100 in another, adjusted for inequities in town grand lists of property values. The State gave aid through a foundation formula to help those towns that could not raise sufficient revenues.

Act 60 established an Education Fund with a number of revenue sources. The primary source is a statewide property tax and, until fiscal year 2019, a transfer from the State's General Fund. Prior to fiscal year 2019, other revenue sources to the Education Fund included: (1) revenues from the State lotteries under Chapter 14 of Title 31, (2) 36% of the State's Sales and Use Tax, (3) one-third of the State's Purchase and Use Tax, and (4) certain other revenues and fees. Commencing in fiscal year 2019, Act 11 of 2018 ended the annual transfer from the General Fund to the Education Fund and dedicated 100% of revenues from the State Sales and Use Tax and 25% of revenues from the Meals and Rooms Tax to the Education Fund (formerly these sources of revenue were dedicated to the General Fund). Accordingly, commencing in fiscal year 2019, in addition to the statewide property tax, the other revenue sources to the Education Fund include: (1) revenues from the State lotteries under Chapter 14 of Title 31, (2) 100% of the State's Sales and Use Tax, (3) 25% of the State's Meals and Rooms Tax, (4) one-third of the State's motor vehicle Purchase and Use Tax and (5) certain other revenues and fees.

The following is a discussion of the major sources of Education Fund revenues and the amount derived from each source in fiscal year 2023.

Statewide Property Tax; Property Tax Reform. Under Act 60, the General Assembly established a statewide property tax at a rate of $1.10 per $100 of assessed value. In addition, under the Act, the State provided a block grant from the Education Fund to each school district on a per student basis commencing in fiscal year 1999. The law provided for the amount of the grant to grow based on the inflation index each year. Districts spending more than the block grant were paid from a subdivision of the Education Fund based on a supplemental, or local share, property tax with a unit rate set so that the total collected from all districts with spending over the block grant equaled the amount of the spending. The more a district spent per pupil above the block grant, the higher its local share rate would be.

In 2003, the General Assembly passed Act 68, which was implemented in fiscal year 2005 and modified the statewide property tax system by classifying property as either homestead or non-homestead, taxing those classes differently. Homestead property was assessed at the rate of $1.10 per $100 of assessed value, multiplied by the district spending adjustment, while all other property was assessed at $1.59 per $100 and was not subject to the district spending adjustment. These rates have been adjusted annually based upon the Education Fund balance. In fiscal year 2023, the homestead and non-homestead rates were $1.386 and $1.466, respectively.

Act 68 of 2003 also included an excess spending provision designed to discourage high per-pupil spending by school districts. Districts spending over the annual threshold are taxed a second time on the excess spending amount. The threshold amount is calculated annually as the product of (1) the statewide average district education spending per equalized pupil in the prior fiscal year, multiplied by (2) a specified percentage. Act 68 set this percentage as 135% in fiscal year 2005, 130% in fiscal year 2006 and 125% in fiscal year 2007 and thereafter. In 2013, legislation was passed (Act 60 of 2013) that decreased the percentage to 123% in fiscal years 2015 and 2016, and to 121% in fiscal year 2017 and thereafter. In 2014, the General Assembly passed Act 174, which modified the threshold amount calculation such that, rather than looking at data from the prior fiscal year, it would be based on the statewide average district education spending per equalized pupil in fiscal year 2014 adjusted for inflation. The base year was subsequently changed to fiscal year 2015 by Act 132 of 2016. The net effect of these changes was to lower the threshold above which school districts incur an additional tax for higher per pupil education costs.

In addition to business property tax relief provided to industrial and commercial owners, Act 60 and Act 68 each provided that any household with income of less than $75,000 would not pay more than 2% (adjusted for per pupil district spending) of that income for the statewide school taxes. The household income amount was raised to $85,000 for fiscal year 2007 and to $90,000 for fiscal year 2008 and after. If a household's income is over $90,000, the taxes on the first $225,000 of equalized homestead value may be eligible for calculation of an adjustment not based on income. Prior to July 1, 2019, taxpayers might be eligible for additional benefits if their income was under $47,000 and the total applicable tax (municipal and school) exceeds between 2.0% and 5.0% of their income based on a tiered scale. Effective July 1, 2019, such percentages were reduced to 1.5% and 3.0%. The maximum adjustment amount for claims filed in fiscal year 2007 was $10,000, reduced to $8,000 for claims filed in fiscal year 2008 and after.

In 2006, the General Assembly passed Act 185, which significantly altered the way property tax adjustments were paid. Whereas payments were formerly made directly to eligible taxpayers, with the passage of Act 185, adjustments were paid to the municipalities in which the funds were used to reduce the payable amount on taxpayers' property tax bills. For fiscal year 2008, that amount was paid to the municipality in which the homestead was located on or around July 1, 2007 for timely filed homestead declarations. A second payment to the municipalities occurred on or around September 15, 2007 for late filed declarations. For each fiscal year from and after fiscal year 2009, municipalities were notified of any property tax adjustment that was to be credited to a taxpayer's bill, but only the municipal tax portion of the adjustment was paid to the municipalities. Beginning in fiscal year 2010, property tax adjustments resolved after September 15 are paid directly to the claimant by the tax department, rather than through notification of the municipality in which the homestead is located.

In 2010, the General Assembly passed Act 160, which retroactively changed the calculation of property tax adjustments for claims filed beginning January 1, 2010 and thereafter. Homeowners with interest and dividend income above $10,000 have the excess amount over that threshold counted twice in calculating the adjustment. In addition, the adjustment is limited to only the first $400,000 of equalized value, and the additional adjustment of $10 per acre, up to five acres, which was added by statute in 2003, was eliminated. Act 160 made additional changes to the definition of "household income" for claims filed beginning in 2011, which eliminated all but the following exclusions: total income to certain business expenses of reservists, one-half of self-employment tax paid, alimony paid, and deductions for tuition and fees.

In 2011, the General Assembly passed Act 45, which allowed the amounts paid by self-employed people for health insurance premiums to be excluded from the calculation of household income for property tax adjustment claims filed beginning in 2012. In 2012, the General Assembly passed Act 143, which excludes health savings account deductions from the calculation of household income for property tax adjustment claims filed beginning in 2013.

The Statewide property tax is billed and collected at the local level. A netting process is followed, with the State paying any net amounts due the districts in three payments while the towns pay net amounts due the State in two equal payments. Municipalities retain a percentage of the total education tax collected upon timely remittance of net payments. Beginning in fiscal year 2009, the percentage was increased from 0.125% to 0.225%.

In 2014, the General Assembly passed Act 166, which required districts to offer pre-K education for at least ten hours per week. Before that, offering pre-K was optional for each district. In 2015, the General Assembly passed more significant education reform. Act 46 of 2015 was passed, which provides incentives to small school districts to merge, thereby maximizing operational efficiencies. The Act offered various incentives to districts that choose to merge if those mergers meet the requirements and goals of the Act including reductions in tax rates and continuation of small school grants. The Act also contained several disincentives such as the removal of a provision that allowed districts under-count the change in pupil numbers from the previous year when the district has experienced declining enrollment. Additionally, the Act directed the State Board of Education to facilitate the merger for any district under 900 students that failed to merge by July 1, 2019. Finally, the Act simplified the tax rate calculation process somewhat by moving from a base amount tied to the annual change in the Consumer Price Index and a variable base tax rate to a variable "yield" number and a base tax rate permanently locked at $1.00 per $100 of equalized property value.

In fiscal year 2023, the Statewide property tax accounted for $1,203.6 million or 62.2% of the net revenues available to the Education Fund of $1,935.6 million.

Sales and Use Tax: The State has imposed a general Sales and Use Tax on products sold within the State since 1969 (the initial Sales and Use tax was 3.0%). Through the years, as described below, the rate has been adjusted periodically, the taxable base has been expanded to include selected services and certain software and e-commerce sales transactions with an appropriate nexus to the State, and the General Assembly has allowed certain municipalities to assess and collect a local option Sales and Use Tax. Under current law, the State imposes a Statewide Sales and Use Tax of 6% and a telecommunications sales tax of 6% (both of these current rates were first effective October 1, 2003). Major exemptions to the State's general Sales and Use Tax include sales of food, medicine, clothing, manufacturing and agricultural supplies and equipment, and fuel and electricity for domestic, manufacturing or agricultural use. Pursuant to Act 68 of 2003, commencing July 1, 2004, the statutory structure of these taxes changed from: (1) 100% of the annual receipts of the general Sales and Use Tax to the General Fund, and (2) 100% of the gross receipts of the telecommunications tax to the Education Fund, to a statutory transfer of one-third of total gross Sales and Use Tax receipts (inclusive of the telecommunications tax) from the General Fund to the Education Fund. Effective January 1, 2007, the State also became a participant in the multi-state Streamlined Sales Tax Agreement ("SSTA"). The SSTA is a multi-state effort to simplify and streamline state Sales and Use Taxes in order to facilitate the collection of such taxes from out-of-state vendors such as mail order and internet retailers. Effective July 1, 2013, the allocation of gross Sales and Use Tax receipts to the Education Fund and General Fund changed from 33% and 67%, respectively, to 35% and 65%, respectively. During the 2015 session, the Vermont General Assembly passed legislation that made the 6% Sales and Use Tax applicable on soft drinks sold in the State effective July 1, 2015. During fiscal years 2016 and 2017, the Vermont Department of Taxes took several actions designed to sustain the State's taxable base, which have resulted in tax receipts from certain e-commerce-based transactions. In June 2018, the U.S. Supreme Court in *South Dakota v. Wayfair* confirmed the ability of a state or a locality, such as Vermont, to impose a sales tax or use tax collection responsibility upon a remote seller. This decision allowed the Vermont Department of Taxes to continue to seek out e-commerce companies selling goods to Vermont residents and require such companies to collect and remit sales tax to the State. Pursuant to Act 11 of 2018, commencing July 1, 2018, the allocation of gross Sales and Use Tax receipts between the General Fund and Education Fund was terminated, and 100% of the State Sales and Use Tax receipts were dedicated to the Education Fund. In 2020, the Vermont General Assembly passed legislation that established a Cannabis Control Board and applied the sales and use tax of 6% to the retail sale of cannabis. These provisions took effect beginning in fiscal year 2023. In fiscal year 2023, State Sales and Use Tax receipts deposited in the Education Fund were $584.0 million or 30.2% of the net revenues available to the Education Fund.

Meals and Rooms Tax. Pursuant to Act 11 of 2018, commencing with fiscal year 2019, 25% of the Meals and Rooms Tax is deposited directly in the Education Fund. In fiscal year 2023, Meals and Rooms Tax receipts deposited in the Education Fund were $59.4 million or 3.1% of the net revenues available to the Education Fund. For more information regarding the Meals and Rooms Tax, see "STATE FUNDS AND REVENUES – State General Fund Revenues" above.

Purchase and Use Tax. Beginning on July 1, 1998, 16.7% of total collections in the motor vehicle Purchase and Use Tax were deposited in the Education Fund. Pursuant to Act 68 of 2003, commencing July 1, 2004, one-third of gross receipts collected under this tax is deposited directly into the Education Fund. In fiscal year 2023, the statutory transfer of Purchase and Use Tax receipts to the Education Fund was $47.4 million or 2.4% of the net revenues available to the Education Fund. As noted above, the fiscal year 2024 budget increased the so-called "truck cap maximum" for the Purchase and Use Tax from $2,075 to $2,486 to help offset the effects of vehicle price inflation. This change took effect on January 1, 2024 and is expected to positively impact revenues beginning in fiscal year 2024 and in subsequent fiscal years. For more information regarding the Purchase and Use Tax, see "STATE FUNDS AND REVENUES – State Transportation Fund Revenues" above.

Lottery. Pursuant to Act 60, 100% of the revenues from the State lotteries under Chapter 14 of Title 31 are transferred to the Education Fund. In fiscal year 2023, Lottery transfer revenues deposited in the Education Fund were $32.1 million or 1.7% of the net revenues available to the Education Fund.

Medicaid Transfer and Other Taxes-Fees. In past years the State has allocated 30% of Medicaid reimbursement revenues for qualified medical services provided to students in grades K-12 to the Education Fund consistent with Title 16 V.S.A. Section 2959a and recent changes in federal law governing those reimbursements. In fiscal year 2023, there was a Medicaid transfer of $10.32 million. The State also levies certain other taxes, including a solar energy property tax and a wind property tax, and minor fees that, together with related investment income, are credited to the Education Fund. Net revenues for fiscal year 2023 of these other taxes, not including fund interest, were $3.3 million or 0.2% of total net revenues available to the Education Fund.

Federal Receipts

In fiscal year 2023, the State's special revenue funds received approximately $3.060 billion in total from the federal government on a budget basis, a decrease of $810.1 million or 20.9% below fiscal year 2022. These revenues represent reimbursement to the State for expenditures for various health, welfare, educational and highway programs, and distributions of various restricted or categorical grants-in-aid. Fiscal year 2023 federal grant receipts were $3.060 billion, including $135.6 million from the ARP (see "COVID-19 GLOBAL PANDEMIC" herein). The State's fiscal year 2024 budget, as passed and amended by the fiscal year 2024 Budget Adjustment Act (Act 87 of 2024) for all funding sources for Governmental Funds (non-duplicated) anticipates $3.2 billion in federal receipts (representing 36.8% of overall budgeted revenues) .

Federal grants normally are restricted as to use depending on the particular program being funded and normally require matching resources by the State. The largest categories of federal grants receipts on a budget basis in fiscal year 2023 were made in the areas of Human Services, $1.925 billion; Transportation, $411 million; Education, $290 million; Protection to Persons and Property, $210 million; General Government, $138 million; and Natural Resources, $47 million.

Tobacco Litigation Settlement Fund

Under the Master Settlement Agreement (the "MSA") with tobacco companies, Vermont is entitled to annual payments in perpetuity. The amount of payment due is calculated annually, applying adjustments specified in the MSA, based on factors including that year's volume of tobacco sales and inflation. Pursuant to the MSA, in addition to regular MSA annual payments, beginning in fiscal year 2008, Vermont was also entitled to receive approximately $10-14 million in net Strategic Contribution Payments (as defined in the MSA) per year for ten years. The final Strategic Contribution Payment was received in April 2017. Both the regular MSA payments and the Strategic Contribution Payments are subject to withholding adjustments based on inflation, the effect of any decreases in the sale of tobacco products to the base year among participating manufacturers and certain other adjustments. Various aspects of the MSA remain in litigation or arbitration in venues across the country.

The table below lists Vermont's base payment and Strategic Contribution Payment as set forth in the MSA, and the actual receipts of settlement funds (in millions) for each of the past 10 years:

	MSA[1]		Actual		
Fiscal Year	Base Payment	Strategic Payment	Base Payment	Strategic Payment	Total[2]
2014	$29.37	$15.65	*	*	$34.52
2015	29.37	15.65	21.88	11.69	33.57
2016	29.37	15.65	23.00	12.07	35.08
2017	29.37	15.65	22.78	11.94	34.72
2018	29.37	**	17.55	**	58.95[3]
2019	29.37	**	23.65	**	23.65
2020	29.37	**	23.99	**	23.99
2021	29.37	**	25.50	**	25.50
2022	29.37	**	26.18	**	26.18
2023	29.37	**	24.89	**	24.89

[1] Base payment amount and Strategic Contribution Payments as established in the MSA at time of initial settlement; amounts subject to annual adjustments.
[2] Does not take into account Tobacco Litigation Settlement Fund Account performance due to interest income or expense.
[3] Total for 2018 includes $41,472,086.07 in one-time settlement of disputed diligent enforcement years 2004-2017.
* The breakdown between the base payment and the strategic payment amounts for fiscal year 2014 are not available.
** Strategic payments were issued on a time-limited basis to Vermont and certain other states and expired after 2017.

In fiscal year 2000, the Vermont General Assembly established a special Tobacco Litigation Settlement Fund to be administered by the State Treasurer. Payments under the MSA are deposited into the Tobacco Litigation Settlement Fund. The State targets these revenues specifically for tobacco enforcement, prevention and education programs, substance abuse and youth protection programs in AHS. These funds are also used to support Medicaid and other health-related spending but are not used as a supplemental revenue source to fund other core governmental operations. Any unexpended receipts at the end of each fiscal year are earmarked for the separately established Tobacco Investment Trust Fund, a trust established to eventually endow the education and prevention programs. The balance in the Tobacco Investment Trust Fund at the end of fiscal year 2023 was $16.0 million.

Opioid Settlements

The State has entered into settlement agreements with several parties, including manufacturers and distributors (which include pharmacy chains) of opioid medications related to their roles in the opioid epidemic. Most defendants are paying in installments over different time periods, with the longest being 18 years, although the defendants have the option to accelerate payments. Most settlement payments are divided between the State and municipalities, with municipalities receiving 15% of total settlement payments and the State receiving the balance. Of the State's 85% share of settlement payments, 70% will go to Vermont's Opioid Abatement Fund created by statute, and the remaining 15% will goes to the State's General Fund, from which certain costs and expenses, including outside counsel fees, are expected to be paid. The information provided below reflects the current settlement payment schedule for the State's 85% share of the total settlement proceeds, as of the date of this Official Statement.

Payments began to be received in fiscal year 2022 and to date, the State has received approximately $23.17 million, of which approximately $13.9 million has been deposited in the Opioid Abatement Fund. The State currently expects to receive additional payments in fiscal year 2024 through fiscal year 2039 totaling approximately $87.3 million.

The amounts in the prior paragraph do not include up to $36 million expected to be received from a settlement agreement with Purdue Pharma, an opioid manufacturer that has filed for bankruptcy in connection with its settlements. The bankruptcy plan, which would shield its private owners from any liability in exchange for a contribution by such owners of up to $6 billion, was challenged by the United States Department of Justice ("USDOJ"). The Second Circuit Court of Appeals ruled the bankruptcy plan may proceed, and the USDOJ asked the United States Supreme Court to delay implementation of the plan pending resolution of certain legal issues. On August 10, 2023, the United States Supreme Court granted a stay in this matter and in December 2023 heard oral arguments on whether the bankruptcy code authorizes a court to approve, as part of a plan of reorganization, a release that extinguishes claims held by nondebtors against nondebtor third parties without the claimants' consent. A decision from the Supreme Court is expected by June 2024.

The State cannot assure that all payments will be made when due from all parties to the settlements.

RECENT GENERAL FUND, TRANSPORTATION FUND AND EDUCATION FUND OPERATING RESULTS

The following information presented under the above heading is presented on a budgetary (or cash) basis. Reference is also made to the operating statements appearing on pages 71–73 of this Official Statement (under the heading "Financial Summaries") for a tabular presentation of the operating results described below.

Fiscal Year 2020

The State ended fiscal year 2020 with General Fund revenues of $1,457.44 million, contributing to an operating gain of $13.47 million. From the operating gain were transfers to other funds totaling $9.65 million, as well as $3.82 million in net contributions to reserves. Contributions to reserve accounts most notably included bringing the Budget Stabilization Reserve up to its statutory level of $79.82 million and making a $98.24 million addition to the Human Services Caseload Reserve. Year-over-year (current law) revenues increased by $117.94 million, or 8.81% from fiscal year 2019 revenues of $1,339.50 million. The fiscal year 2020 General Fund consensus revenue forecast, which was the basis for the fiscal year 2020 budget, as passed, was approved by the Emergency Board in January 2019. This estimate was subsequently revised two times by the Emergency Board: first, in July 2019 it was revised upward by $25.3 million, and then in January 2020 it was revised upward by another $18.4 million. As described herein, the COVID-19 pandemic began to have a significant impact on Vermont's economy in February 2020, with the most pronounced impact in the final quarter of the fiscal year. As a result, year-end General Fund revenues were 8.6% below the January 2020 Consensus Forecast. The magnitude of these deviations can largely be attributable to the onset of the COVID-19 pandemic. See "COVID-19 GLOBAL PANDEMIC" herein.

The State Transportation Fund ended fiscal year 2020 with actual (current law) revenues of $264.11 million and an operating surplus of $25.42 million. Year-over-year actual (current law) revenues decreased by 5.9% or $16.56 million from fiscal year 2019 actual (current law) revenues of $280.67 million. Transportation Fund receipts for fiscal year 2020 were below the January 2020 consensus revenue target of $284.50 million by $20.39 million (or 7.17%), primarily due to the combination of the following: Gasoline Tax receipts (8.65% below target); Diesel Tax receipts (5.73% below target); Motor Vehicle Purchase & Use (8.42% below target); Motor Vehicle Fees (3.64% below target); and Other Fees (12.17% below target). The magnitude of these deviations from target is largely attributable to the onset of the COVID-19 pandemic. See "COVID-19 GLOBAL PANDEMIC" herein. The Transportation Fund results, coupled with net transfers out of the Transportation Fund, allowed for a fully funded Transportation Fund Budget Stabilization Fund of $14.09 million at the statutory maximum of 5% of the prior year appropriations level.

The State Education Fund ended fiscal year 2020 with non-property tax revenues of $550.98 million. Total Education Fund revenue, which includes non-property tax and property tax revenues plus other revenue items, resulted in a $14.09 million operating deficit before transfers to/from other funds and a $19.39 million operation deficit after transfers to/from other funds. The Education Fund Budget Stabilization Reserve ended fiscal year 2020 funded at 90% of the statutorily required amount of 5% of net prior year appropriations ($32.98 million).

Fiscal Year 2021

The State ended fiscal year 2021 with General Fund revenues of $1,952.33 million, contributing to an operating gain of $414.30 million. From the operating gain were transfers to other funds totaling $108.5 million, as well as $202.2 million in net contributions to reserves. Contributions to reserve accounts most notably included $150.0 million reserved for pension funding initiatives and a transfer of $48.81 million to the General Fund Balance Reserve (a.k.a. the "rainy day reserve"). A $2.04 million contribution to the Budget Stabilization Reserve brought it to its statutory level of $81.87 million. Year-over-year (current law) revenues increased by $494.89 million, or 34% from fiscal year 2020 revenues of $1,457.44 million. The fiscal year 2021 General Fund consensus revenue forecast, which was the basis for the fiscal year 2021 budget, as passed, was approved by the Emergency Board in January 2020, prior to the onset of the COVID-19 pandemic. This estimate was subsequently revised two times by the Emergency Board: first, in August 2020 (four months into the COVID-19 pandemic), it was revised downward by $182.4 million, but then, in January 2021, it was revised upward by $159.8 million. These consensus revenue forecasts were conducted against the backdrop of the COVID-19 pandemic, which began to impact Vermont's economy in February 2020. Revenue receipts activity in the State reflected the on-going pandemic and the resulting public sector responses as the impacts associated with the pandemic emerged and evolved, with revenues initially declining significantly as the pandemic unfolded, and then bouncing back as a result of the large and unprecedented federal and state actions, which helped to fuel an unexpectedly fast rate of economic and labor market recovery. Actual General Fund revenues ended fiscal year 2021 at $171.4 million or 10.7% above the January 2020 Consensus Forecast for the 2021 fiscal year. The magnitude of deviations from the consensus revenue forecasts during the height of the pandemic (January 2020, August 2020 and January 2021)—both up and down over this period—were largely attributable to the economic effects associated with the COVID-19 pandemic and the federal and State responses designed to address it.

The State Transportation Fund ended fiscal year 2021 with actual (current law) revenues of $282.74 million and an operating surplus of $28.40 million. Year-over-year actual (current law) revenues increased by 7.05% or $18.61 million from fiscal year 2020 actual (current law) revenues of $264.15 million. Transportation Fund receipts for fiscal year 2021 were above the January 2021 consensus revenue target of $275.00 million by $7.71 million (or 2.80%), primarily due to the combination of the following: Gasoline Tax receipts (0.28% above target); Diesel Tax receipts (1.38% above target); Motor Vehicle Purchase & Use (11.32% above target); Motor Vehicle Fees (0.92% below target); and Other Fees (4.53% below target). Like the General Fund, the magnitude of these deviations from target were largely attributable to the onset of the COVID-19 pandemic and the federal and state actions designed to address the pandemic's negative effects on the economy. The Transportation Fund results, coupled with net transfers out of the Transportation Fund, allowed for a fully funded Transportation Fund Budget Stabilization Fund of $11.94 million at the statutory maximum of 5% of the prior year appropriations level.

The State Education Fund ended fiscal year 2021 with non-property tax revenues of $631.04 million. Total Education Fund revenue, which includes non-property tax and property tax revenues plus other revenue items, resulted in a $69.36 million operating surplus before transfers to/from other funds and a $28.68 million operating surplus after transfers to/from other funds. The Education Fund Budget Stabilization Reserve ended fiscal year 2021 funded at the statutorily required amount of 5% of net prior year appropriations ($38.22 million).

Fiscal Year 2022

The State ended fiscal year 2022 with actual General Fund revenues of $2,123.23 million contributing to an operating gain of $125.96 million. From the operating gain were transfers to other funds totaling $112.86 million, and a total of $164.34 million in reserves were allocated to other uses. Contributions to reserve accounts included a $5.25 million contribution to the Budget Stabilization Reserve, bringing it to its statutory $87.12 million level, and total reserves at the end of the fiscal year totaled $266 million, including the Budget Stabilization Reserve. There also were other applications of funds to uses during fiscal year 2022 including a $20.29 million allocation to the 27/53 Reserve—an account used to fund the fiscal years when the State has an extra bi-weekly payroll. Overall, the State ended fiscal year 2022 with a $91 million surplus, net of $157 million in contingency appropriations. Year-over-year (current law) revenues for fiscal year 2022 increased by $170.87 million, or 8.8% from actual fiscal year 2021 revenues of $1,952.36 million. The fiscal year 2022 General Fund consensus revenue forecast, which was the basis for the fiscal year 2022 budget as passed, was approved by the Emergency Board in January 2021, nearly one year after the onset of the COVID-19 pandemic. This estimate was subsequently revised two times by the Emergency Board: first, in July 2021 or approximately one year and four months into the COVID-19 pandemic, it was revised upward by $190.2 million, and then, in January 2022, it was revised upward by another $44.0 million. These consensus revenue forecasts were conducted against the backdrop of the State's recovery from the COVID-19 pandemic, which was facilitated by the State's receipt of more than $10 billion in federal financial pandemic assistance over the period. State revenue receipts activity also reflected increased post-pandemic economic activity, although the State's labor markets experienced a somewhat slower than national average labor market response. Over the period, State revenues were reflective of the national and State economic recoveries that transpired as it gained forward momentum as the large and unprecedented federal and state actions worked their way through the economy. Actual General Fund revenues ended fiscal year 2022 at $225.4 million or 11.9% above the already significantly upgraded January 2021 Consensus Forecast for the 2022 fiscal year.

The State Transportation Fund ended fiscal year 2022 with actual (current law) revenues of $287.85 million and an operating surplus of $27.86 million. Year-over-year actual (current law) revenues increased by 1.82% or $5.13 million from fiscal year 2021 actual (current law) revenues of $282.71 million. Transportation Fund receipts for fiscal year 2022 were below the January 2022 consensus revenue target of $296.10 million by $8.25 million (or 2.79%), primarily due to the combination of the following: Gasoline Tax receipts (0.70% below target); Diesel Tax receipts (2.67% below target); Motor Vehicle Purchase & Use (2.99% below target); Motor Vehicle Fees (3.31% below target); and Other Fees (6.84% below target). The Transportation Fund results, coupled with net transfers out of the Transportation Fund, allowed for a fully funded Transportation Fund Budget Stabilization Fund of $13.93 million at the statutory maximum of 5% of the prior year appropriations level.

The State Education Fund ended fiscal year 2022 with non-property tax revenues of $690.91 million. Total Education Fund revenue, which includes non-property tax and property tax revenues plus other revenue items, resulted in a $96.41 million operating surplus before transfers to/from other funds and a $48.90 million operating surplus after transfers to/from other funds. The Education Fund Budget Stabilization Reserve ended fiscal year 2022 funded at the statutorily required amount of 5% of net prior year appropriations ($39.29 million). During fiscal year 2022, Section 2 of Act 178 also established a new reserve to fund future Polychlorinated Biphenyl (PCB) investigation, testing, assessment, remediation, and removal in Vermont schools, which was funded at $32 million.

Fiscal Year 2023

The State ended fiscal year 2023 with actual General Fund revenues of $2,224.43 million contributing to an operating gain of $410.61 million. From the operating gain were transfers to other funds totaling $50.59 million, as well as $22.57 million in net contributions to reserves. Contributions to reserve accounts included a $19.55 million contribution to the Budget Stabilization Reserve, bringing it to its statutory $106.67 million level, and total reserves at the end of the fiscal year totaled $288.49 million, including the Budget Stabilization Reserve. There also were other uses of funds during fiscal year 2023, including a $3.74 million transfer to the 27/53 Reserve. Year-over-year (current law) revenues for fiscal year 2023 increased by $101.20 million, or 4.8% from actual fiscal year 2022 revenues of $2,123.23 million. The fiscal year 2023 General Fund consensus revenue forecast, which established the basis for the fiscal year 2023 budget as passed, was approved by the Emergency Board in January 2022, less than two years after the onset of the COVID-19 pandemic. This estimate was subsequently revised two times by the Emergency Board in July 2022 and January 2023. The July 2022 forecast included a $31.9 million or 1.6% forecast upgrade versus the January 2022 consensus forecast for fiscal year 2023. Then, in January 2023, the fiscal year 2023 consensus forecast was revised upward by another $120.3 million or 5.8% reflecting the receipts strength of Net Interest revenues and the Corporate Income Tax component. These consensus revenue forecasts were conducted against the backdrop of the second stage of the State's economic and revenue recovery from the COVID-19 pandemic and included the effects of the State's receipt of more than $10.2 billion in federal financial pandemic assistance over the period, which significantly boosted economic and revenue receipts activity. State revenues activity also reflected the post-pandemic surge in economic activity as public health measures were relaxed and appropriated monies in the public sector to support pandemic relief were spent to support what had become a somewhat slower than the national average regional labor market response in New England. Over the period, State revenues were reflective of the national and State economic recoveries that transpired, which gained forward momentum as the large and unprecedented federal and state actions worked their way through the economy. Actual General Fund revenues ended fiscal year 2023 at $43.3 million or 2.0% above the significantly upgraded January 2023 Consensus Forecast for fiscal year 2023.

The State Transportation Fund ended fiscal year 2023 with actual (current law) revenues of $295.14 million and an operating surplus of $29.72 million. Year-over-year actual (current law) revenues increased by 2.53% or $7.29 million from fiscal year 2022 actual (current law) revenues of $287.85 million. Transportation Fund receipts for fiscal year 2023 were below the January 2023 consensus revenue target of $299.07 million by $3.93 million (or 1.31%), with five of six revenue sources in the Transportation Fund underperforming consensus expectations as follows: Gasoline Tax receipts (0.48% below target); Diesel Tax receipts (5.77% below target); Motor Vehicle Purchase & Use (2.56% below target); and Motor Vehicle Fees (0.33% below target). Revenues in the Other Fees component for fiscal year 2023 were 1.60% higher than fiscal year 2023 consensus expectations for fiscal year 2023. The Transportation Fund results, coupled with net transfers out of the Transportation Fund, allowed for a fully funded Transportation Fund Budget Stabilization Fund of $15.36 million at the statutory maximum of 5% of the prior year appropriations level.

The State Education Fund ended fiscal year 2023 with non-property tax revenues of $745.12 million. Total Education Fund revenue, which includes non-property tax and property tax revenues plus other revenue items, resulted in a $2.00 million operating surplus before transfers to/from other funds and a $59.67 million operating surplus after transfers to/from other funds. The Education Fund Budget Stabilization Reserve ended fiscal year 2023 funded at the statutorily required amount of 5% of net prior year appropriations ($41.83 million). Act 78 of 2023 unreserved the full $32 million in the PCB Reserve Fund (described below) for use in fiscal years 2023 and 2024. In fiscal year 2024, $29.72 million will be appropriated from the Education Fund for grants to schools related to the investigation, remediation, or removal of PCBs. See "GENERAL FUND, TRANSPORTATION FUND AND EDUCATION FUND RESULTS TO DATE – PCB Reserve Fund" below.

Fiscal Year 2024 – Forecast

The State, by statute, establishes a consensus revenue forecast each July and the following January unless the Emergency Board members elect to change this schedule and/or request to have more frequent revenue forecasts due to fiscal management needs.

July 2022 Consensus Forecast. On July 28, 2022, the Emergency Board approved updated consensus revenue forecasts for fiscal year 2024 for the General Fund, Transportation Fund and the Education Fund revenue sources covered under the consensus revenue forecasting process for fiscal year 2024 (the "July 2022 Consensus Forecast"). The July 2022 Consensus Forecast included a revised consensus revenue outlook for the General Fund of $1,978.3 million (including an estimated $321.7 million consensus forecast of health care taxes, assessments, and other fees "Available to the General Fund") for fiscal year 2024. The July 2022 Consensus Forecast for the General Fund represented a $31.9 million (or 1.6%) increase in consensus revenue expectations relative to the January 2022 Consensus Forecast for fiscal year 2024. For the Transportation Fund, the Emergency Board agreed to a consensus revenue forecast downgrade of $1.1 million (or 0.4%) to $301.4 million for fiscal year 2024. The July 2022 Consensus Forecast as approved by the Emergency Board also included a revised consensus revenue forecast upgrade for receipts in the Education Fund of $14.0 million (or 2.0%) to $707.2 million for fiscal year 2024.

January 2023 Consensus Forecast. On January 17, 2023, the Emergency Board met and approved updated consensus revenue forecasts for the General Fund, Transportation Fund and Education Fund for fiscal year 2024 (the "January 2023 Consensus Forecast"). The January 2023 Consensus Forecast for fiscal year 2024 included a General Fund consensus revenue forecast of $2,023.7 million (including an estimated $329.4 million in health care taxes, assessments, and fees "Available to the General Fund") for fiscal year 2024. The January 2023 Consensus Forecast for the General Fund represented a $45.3 million (or 2.3%) increase in consensus revenue expectations relative to the July 2022 Consensus Forecast for fiscal year 2024. For the Transportation Fund, the Emergency Board agreed to a modest consensus revenue forecast downgrade of $0.2 million (or 0.1%) to $301.2 million for fiscal year 2024, reflecting the increase in energy prices and the negative effects thereof on fuels tax receipts and tourism activity. The Emergency Board also approved a revised consensus revenue forecast upgrade for receipts in the Education Fund of $11.2 million (or 1.6%) to $718.4 million in fiscal year 2024. Relative to actual combined General Fund, Transportation Fund, and Education Fund receipts in fiscal year 2019, as the last complete fiscal year for the State prior to the onset of the COVID pandemic, the January 2023 Consensus Forecast for fiscal year 2024 expected that State revenues in all funds to be $624.5 million (or 25.8%) higher than pre-pandemic levels in fiscal year 2019.

The January 2023 Consensus Forecast fully reflected all recent developments with respect to the declining economic significance of the COVID-19 pandemic in Vermont and in the U.S. as a whole. The January 2023 Consensus Forecast also included economic developments in the New England region as a whole at that time and the most recent information and data regarding the federal fiscal and monetary policy responses to the pandemic-induced economic downturn and the subsequent State and national recoveries. The January 2023 Consensus Forecast benefited from the experience of roughly two and a half years of post-pandemic economic and State tax revenue activity. As a result, the January 2023 Consensus Forecast for fiscal year 2024 included a significant level of post-pandemic understanding and was a more cogent post-pandemic consensus revenue forecast based on the broader, but still developing understanding of the complex and evolving interplay of the economy in the aftermath of the pandemic, the federal fiscal policy response to the pandemic, and the inflationary aspects of the federal fiscal policy response and their linkages through to the State's economic and revenue bases.

Although there was, at that time, still somewhat limited information, data, and empirical analysis regarding the effects of the pandemic on the economy, State revenues, and the run up in the rate of inflation (which at the time was thought to be transitory in nature), there was enough information to indicate that the more than $10 billion in federal financial assistance in the aftermath of the initial stages of the pandemic was going to offset nearly all of the large detrimental effects on the Vermont economy tied to the pandemic—if not outright induce an expansionary economic environment. The January 2023 Consensus Forecast noted that due to the historically unprecedented amount of federal financial assistance to address the effects of the pandemic in Vermont, there was no past precedent or roadmap for what the near-term or longer-term effects of that federal fiscal and monetary policy assistance would be. It also raised appropriate concerns about the achievability of the January 2022 consensus revenue forecast targets for fiscal year 2024 and included appropriate warnings about the likelihood that further revisions to that fiscal year 2024 forecast were likely to be needed as economic and State revenue developments further evolved.

The revised January 2023 Consensus Forecast for fiscal year 2024 was also based on the latest consensus national and State economic outlook available at the time as adjusted by the State Economists. It included a number of technical re-specifications of the various forecasting models for the revenue sources included in the forecast update, a revised consensus forecast of the revenue impact of a number of the recent federal and State tax changes (dating back to the passage of the TCJA), and the State's response to that legislation and other short-term federal tax changes associated with the pandemic). It also included another revision of the Sales and Use Tax estimate following the faster than expected initial expansion of the taxable base of e-commerce sales, and updated tax filing information regarding the effects of the pandemic on real estate demand in Vermont (which initially turned out to be a net positive factor for the State—although the pandemic-induced bump up in real estate sales activity by out-of-State filers ended up being a temporary), and it included a conservative assessment of the recovery in the State's travel and tourism activity that had taken the largest negative impacts among the various State industry sectors resulting for the public health measures taken to contain the COVID outbreak.

July 2023 Consensus Forecast. On July 31, 2023, the Emergency Board approved updated consensus revenue forecasts for the General Fund, Transportation Fund and the Education Fund revenue sources covered under the consensus revenue forecasting process for fiscal year 2024 (the "July 2023 Consensus Forecast"). The July 2023 Consensus Forecast included a further revised consensus revenue outlook for the General Fund of $2,102.1 million (including an estimated $321.6 million consensus forecast of health care taxes, assessments, and other fees "Available to the General Fund") for fiscal year 2024. The July 2023 Consensus Forecast for the General Fund represented a $78.4 million (or 3.9%) increase in consensus revenue expectations relative to the January 2023 Consensus Forecast for fiscal year 2024. For the Transportation Fund, the Emergency Board agreed to a consensus revenue forecast increase of $3.3 million (or 1.1%) to $304.5 million for fiscal year 2024. The July 2023 Consensus Forecast as approved by the Emergency Board also included a revised consensus revenue forecast increase for receipts in the Education Fund of $17.8 million (or 2.5%) to $736.2 million in fiscal year 2024. Relative to the initial July 2022 Consensus Forecast for fiscal year 2024, the July 2023 Consensus Forecast was 6.3% higher for the General Fund, 1.0% higher for the Transportation Fund and 4.1% higher for the Education Fund. Overall, combined General Fund, Transportation Fund, and Education Fund revenues for fiscal year 2024 are expected to be 5.1% higher than the original July 2022 Consensus Forecast for the three fund aggregates overall.

Both the January 2023 Consensus Forecast and the July 2023 Consensus Forecast included all relevant data on the current conflicting macroeconomic forces at play and their crosscurrents impacting State economic and revenue developments—including the historically rapid run-up in interest rates to the highest levels in roughly two decades. The updated July 2023 Consensus Forecast also includes the most current information and updated actual tax and revenue collections data regarding the impact of all of the factors listed above—with special emphasis on the emergence of Net Interest revenues (i.e., investment earnings on the State's cash balances) as a significant General Fund and Education Fund revenue source (see "RECENT GENERAL FUND, TRANSPORTATION FUND AND EDUCATION FUND OPERATING RESULTS – Cash Balances"). In addition, each forecast was based on the latest consensus national and State economic outlook available at that time and included a number of technical re-specifications of the various forecasting models for these forecasted revenue sources, including the expected level of commercial activity associated with legal cannabis sales which began in fiscal year 2023.

January 2024 Consensus Forecast. On January 18, 2024, the Emergency Board met and approved updated consensus revenue forecasts for the General Fund, Transportation Fund and Education Fund for fiscal year 2024 through fiscal year 2026 (the "January 2024 Consensus Forecast"). The January 2024 Consensus Forecast for fiscal year 2024 included a General Fund consensus revenue forecast of $2,131.4 million (including an estimated $322.0 million in health care taxes, assessments, and fees "Available to the General Fund") for fiscal year 2024. The January 2024 Consensus Forecast for the General Fund represented a $29.3 million (or 1.4%) increase in consensus revenue expectations relative to the July 2023 Consensus Forecast for fiscal year 2024. For the Transportation Fund, the Emergency Board agreed to a consensus revenue forecast downgrade of $5.1 million (or 1.7%) to $299.4 million for fiscal year 2024, reflecting recent increases in energy prices tied to recent OPEC production cuts and on-going, elevated levels of geo-political uncertainty in eastern Europe and the Middle East. Those energy price increases tend to have negative effects on fuels tax receipts, consumption spending overall, and the State's auto travel-based tourism activity. The Emergency Board also approved a revised consensus revenue forecast upgrade for receipts in the Education Fund of $9.7 million (or 1.3%) to $745.9 million in fiscal year 2024. Relative to actual combined General Fund, Transportation Fund, and Education Fund receipts in fiscal year 2019, again as the last complete fiscal year for the State prior to the onset of the COVID pandemic, the January 2024 Consensus Forecast for fiscal year 2024 expected State revenues in all funds to be $1.56 billion (or 64.5%) higher than pre-pandemic levels in fiscal year 2019.

The January 2024 Consensus Forecast used revised consensus revenue estimates of the expected impact of recent federal and State tax, fee and other changes (including the actions of the 2023 Vermont General Assembly (see "STATE FUNDS AND REVENUES – State Transportation Fund Revenues")), the 2019 federal TCJA and the State's subsequent responses to that federal legislation to exercise its desired level of control over its own tax policy future, and the State's recent move to Market-Based Sourcing for establishing the nexus and extent of State Corporate Income Tax liabilities in Vermont, as other states have done. The actions of the 2023 Vermont General Assembly, which were undertaken to compensate for inflationary increases over the recent post-pandemic period, most significantly impacted prospective revenues of the Transportation Fund (see "STATE FUNDS AND REVENUES – State Transportation Fund Revenues"). The January 2024 Consensus Forecast also included the most current understanding of the post-pandemic period's evolution of consumption levels, trends and patterns, including recent shifts between goods and services and recent residential and commercial-industrial real estate activity levels and trends as they continue to evolve as the pandemic recedes into the past and the post-pandemic economy, demographics, and evolving workplace norms continue to move the economy toward potentially a new set of "normals." In addition, the forecasts also continue to reflect the on-going demographic shifts and population in-migration patterns for the State and the entire northern New England-upstate New York regions that have been emerging since the pandemic, which are tied to the greater acceptance of remote and hybrid work arrangements—even though these changes are not yet considered to be "completely settled" in terms of their continued prominence and permanence in the post-pandemic economy.

Fiscal Year 2024 – Consensus Revenue Forecast
($ in millions)

	January 2023 Consensus Forecast		July 2023 Consensus Forecast	% Difference (vs. January 2023)		January 2024 Consensus Forecast	% Difference (vs. July 2023)
General Fund	$2,023.7		$2,102.1	3.9%		$2,131.4	1.4%
Transportation Fund	301.2		304.5	1.1		299.4	(1.7)
Education Fund	718.4		736.2	2.5		745.9	1.3
Total	$3,043.2		$3,142.8	3.3		$3,176.6	1.1

Fiscal Year 2024 General, Transportation and Education Funds to Date

The following tables present revenue results for the components of each major fund, as compared to the updated fiscal year 2024 monthly cash flow targets through April of fiscal year 2024. Results are presented versus the monthly consensus cash flow targets that correspond to the January 2024 Consensus Forecast as approved by the Vermont Emergency Board on January 18, 2024. The month of April 2024 is the fourth month of the second half of the State's 2024 fiscal year and corresponds to an important month in the Spring tax filing season for the State's Personal Income Tax. Cumulative receipts through April represent results for the first two-thirds of the State's 2024 fiscal year, which began on July 1, 2023.

Fiscal Year 2024 General Fund Results to Date

	April 2024			Fiscal Year 2024 Results To-Date		
	Revenue Estimate[1]	Revenue Collections	% Difference	Revenue Estimate[1]	Revenue Collections	% Difference
Personal Income Tax	$216.6	$270.9	25.1	$986.6	$1,057.6	7.2
Corporate Income Tax	45.2	52.4	15.9	203.7	196.6	(3.5)
Meals and Rooms Tax[2]	13.5	14.5	7.2	143.0	147.0	2.8
Insurance Premium Tax	0.7	(2.6)	(416.9)	62.4	64.0	2.7
Inheritance-Estate Tax	1.9	2.8	47.6	19.6	19.2	(2.1)
Property Transfer	1.4	2.1	46.8	15.0	16.1	7.3
Health Care Revenues	28.8	31.4	8.9	275.6	283.8	3.0
Other Revenues	10.3	13.9	35.0	126.9	151.1	19.1
Total	$318.4	$385.4	21.1	$1,832.8	$1,935.4	5.6

[1] Reflects monthly and cumulative consensus cash flow targets resulting from the Official Revenue Estimates as of January 18, 2024.
[2] Per statute, represents 69% of aggregate Meals and Rooms Tax collections. The balance of Meals and Rooms Tax collections are allocated to the Clean Water Fund (6%) and the Education Fund (25%).
Note: Totals may not add due to rounding. All dollars are in millions.

Fiscal Year 2024 Transportation Fund Results to Date

	April 2024			Fiscal Year 2024 Results To-Date		
	Revenue Estimate[1]	Revenue Collections	% Difference	Revenue Estimate[1]	Revenue Collections	% Difference
Gasoline Tax[2]	$5.8	$5.5	(5.2)	$60.1	$60.0	(0.3)
Diesel Tax[2]	1.4	1.5	7.0	14.9	14.9	0.2
Purchase and Use Tax	8.0	7.4	(8.0)	74.5	78.7	5.7
Motor Vehicle Fees	9.6	9.5	(1.3)	71.3	73.2	2.6
Other Fee Revenues	2.3	2.1	(8.1)	18.1	18.5	1.9
Total	$27.1	$26.0	(4.3)	$238.9	$245.3	2.7

[1] Reflects monthly and cumulative consensus cash flow targets resulting from the Official Revenue Estimates as of January 18, 2024.
[2] Excludes Transportation Infrastructure Bond or (TIB) revenues.
Note: Totals may not add due to rounding. All dollars are in millions.

Fiscal Year 2024 Education Fund Results to Date[1,2]

	April 2024			Fiscal Year 2024 Results To-Date		
	Revenue Estimate[1]	Revenue Collections	% Difference	Revenue Estimate[1]	Revenue Collections	% Difference
Sales and Use Tax[3]	$50.1	$50.5	0.8	$504.2	$505.9	0.3
Meals and Rooms Tax[3]	4.9	5.3	7.1	51.8	53.3	2.8
Lottery	2.7	3.5	28.4	26.7	26.8	0.3
Motor Vehicle Purchase & Use Tax	4.0	3.7	(8.0)	37.2	39.4	5.7
Net Interest[4]	0.7	0.8	15.3	5.6	5.0	(11.3)
Total	$62.5	$63.8	2.1	$625.6	$630.3	0.8

[1] Reflects monthly and cumulative consensus cash flow targets resulting from the Official Revenue Estimates as of January 18, 2024.
[2] Excluding property taxes, which are collected at the local level with net payments to or from the State.
[3] Per statute, 100% of Sales and Use Tax receipts and 25% of the Meals and Rooms Tax are allocated to the Education Fund.
[4] In prior and current fiscal years, the General Fund has advanced funds for Education Fund expenditures prior to significant revenues being received by the Education Fund. During this time, the Education Fund incurs interest expense payable to the General Fund, which is at times budgeted as negative revenue.
Note: Totals may not add due to rounding. All dollars are in millions.

Overall, State revenue receipts during the month of April 2024 tracked significantly ahead of consensus expectations in the General Fund (at $67.1 million or 21.1% above consensus monthly expectations) and were slightly above monthly consensus expectations in the Education Fund (at $1.3 million or 2.1% above consensus monthly expectations). In contrast, monthly receipts in the Transportation Fund underperformed during the month of April 2024 (at $1.2 million or 4.3% below the consensus monthly cash flow target). Cumulatively through the month of April, all three fund aggregates for the State tracked ahead of cumulative consensus expectations. Cumulative collections in the General Fund were $102.6 million or 5.6% ahead of cumulative consensus expectations of $1.833 billion through April. Cumulative receipts in the Transportation Fund through April stood at $6.3 million or 2.7% ahead of cumulative consensus expectations of $238.9 million. Cumulative revenues in the Education Fund through April were $4.7 million or 0.8% above cumulative consensus expectations of $625.6 million through the first ten months of fiscal year 2024.

The higher-than-expected performance in the General Fund during the month of April and through the first ten months of the State's 2024 fiscal year was largely due to the better than expected performance by the Personal Income Tax (at $54.3 million or 25.1% ahead of monthly consensus expectations and $71.1 million or 7.2% ahead of cumulative consensus expectations) and stronger than expected receipts in the General Fund-Other category (at $3.6 million higher than monthly consensus expectations and $24.2 million above cumulative consensus expectations for cumulative receipts). The former was primarily the result of significantly higher final-extension return payments and significantly lower Personal Income Tax refunds received or issued during April versus expectations. The latter was due to higher-than-expected Net Interest earnings for the State from its interest earning cash balances due to continued high interest rates, coupled with historically high State cash balance levels as a result of unspent monies received by the State from the unprecedented amounts of federal financial assistance that flowed to the State to address the negative economic impacts of the pandemic, as well as federal infrastructure and clean energy development monies (among some other federal initiatives) that have flowed to the State since early in calendar year 2020. The slower than expected pace to Personal Income Tax refunds through April 2024 may reflect a temporary receipts-aiding factor, which could even out over the fourth quarter of the State's fiscal year as the Spring Personal Income Tax filing season transpires and the pace of refunding increases after the final-extension payment season concludes. While the State also expects that the amount of Net Interest revenues earned on the currently higher than usual level of available cash balances and higher interest rate levels will decline over time, the current level of those expected cash balance declines and the expected pace of declines in short-term interest rates both look to be occurring at a slower pace than was expected in the January 2024 Consensus Forecast.

In the Education Fund, the $4.7 million positive performance reflected the continuation of generally positive consumption activity in fiscal year 2024 even as the Federal Reserve has aggressively increased short-term interest rates in the U.S. as part of monetary policy's tightening efforts to reduce the U.S. inflation rate down to its long-term target of 2.0% per year. In addition, monthly and cumulative Education Fund receipts during April also have benefitted from a strong start to the second half of the fiscal year from its share of Motor Vehicle Purchase and Use Tax receipts activity, and from revenue receipts tied to a reasonably positive Winter tourism season—despite the warmer than normal temperatures. While recent Lottery Transfer receipts and Net Interest revenues have been lackluster, recent larger Lottery jackpots and higher interest rates do offer some cause for optimism for these two revenue sources over the final two months of the 2024 fiscal year.

In contrast to the more upbeat results for the majority of revenue sources in the General Fund and Education Fund, the revenue results in the Transportation Fund during April were negative versus consensus monthly expectations, although cumulative receipts through April remained significantly positive overall versus consensus expectations. April revenue results were mixed for the State's two fuel taxes, with monthly revenues in the Gas Tax at $0.3 million or 5.2% below monthly consensus expectations, while receipts in the Diesel Tax component were somewhat upbeat at $0.1 million or 7.0% above monthly consensus expectations. In addition, April revenue collections in the Purchase and Use Tax category trailed consensus monthly expectations by $0.6 million or 8.0% versus monthly expectations. Revenues also lagged versus monthly consensus expectations in the Motor Vehicle Fees category (at $0.1 million or 1.3% below monthly consensus expectations), and April revenues in the Other Fees category were also down versus monthly consensus expectations—at $0.2 million or 8.1% below the monthly consensus cash flow target. Notwithstanding the April 2024 downside performance for revenues in four of five of the Transportation Fund's components, cumulative Transportation Fund receipts through April exceeded cumulative consensus expectations by $6.3 million or 2.7%. Cumulative receipts in the Transportation Fund's two largest components—Motor Vehicle Purchase and Use Tax and Motor Vehicle Fees—were up versus cumulative consensus expectations through April by $4.3 million or 5.7% and $1.9 million or 2.6%, respectively. Cumulative receipts in the Other Fees category (at $0.3 million or 1.9% above cumulative consensus expectations through April) and in the Diesel Tax (at $0.0 million or 0.2% above cumulative consensus expectations through April) rounded out the gaining sources. Only cumulative receipts in the Gas Tax (at $0.2 million or 0.3% below cumulative consensus expectations through April) lagged the cumulative consensus expectations through April. The volatility in these taxes and fees is expected, due to the changes in the level of tax and fee assessments that were enacted as part of the fiscal year 2024 budget (see "STATE FUNDS AND REVENUES – State Transportation Fund Revenues"). Given the significantly ahead of consensus target performance of Transportation Fund revenues through the first ten months of the 2024 fiscal year through April, Transportation Fund receipts overall appear to be on-course to achieve their $299.4 million fiscal year 2024 consensus forecast target barring something significant and currently unforeseen over the final two months of fiscal year 2024.

Fiscal Year 2025 – Forecast

January 2023 Consensus Forecast. The January 2023 Consensus Forecast for fiscal year 2025 included a General Fund consensus revenue forecast of $2,085.1 million (including an estimated $336.7 million in health care taxes, assessments, and fees "Available to the General Fund") for fiscal year 2025. The January 2023 Consensus Forecast for the General Fund represented a $29.6 million (or 1.4%) increase in consensus revenue expectations relative to the July 2022 Consensus Forecast for fiscal year 2025. For the Transportation Fund, the Emergency Board agreed to a modest consensus revenue forecast downgrade of $0.2 million (or 0.1%) to $306.1 million for fiscal year 2025, reflecting the increases in energy prices being experienced at that time and the negative effects thereof on fuels tax receipts and tourism activity. The Emergency Board also approved a revised consensus revenue forecast upgrade for receipts in the Education Fund of $6.2 million (or 0.8%) to $734.6 million in fiscal year 2025. Relative to actual combined General Fund, Transportation Fund, and Education Fund receipts in fiscal year 2019, as the last complete fiscal year for the State prior to the onset of the COVID pandemic, the January 2023 Consensus Forecast for fiscal year 2025 expected that State revenues in all funds to be $706.9 million (or 29.28%) higher than pre-pandemic levels in fiscal year 2019.

At that time, that consensus revenue forecast upgrade fully reflected all of the recent developments at that time with respect to the declining economic significance of the COVID pandemic in Vermont and in the U.S. as a whole. The consensus forecast also included economic developments in the New England region as a whole at that time and the most recent information and data regarding the federal fiscal and monetary policy responses to the pandemic-induced economic downturn and the subsequent State and national recoveries. The Consensus Forecast also benefitted from the experience to-date from roughly two and one-half years of post-pandemic economic and State tax revenues data. As a result, that January 2023 Consensus Forecast for fiscal year 2025 included a significant level of post-pandemic analysis, and was another cogent, post-pandemic consensus revenue forecast based on the broader, but still developing understanding of the increasingly complex and evolving interplay of the economy in the aftermath of the pandemic. It also benefitted from a more complete understanding of the economic and fiscal implications associated with the unprecedented federal fiscal policy response—including trillions of federal fiscal financial assistance dispensed to the states, municipalities, and the private sector following to the worst economic impacts associated with the COVID pandemic, and the initial phase of the inflation-inducing aspects of the federal fiscal policy response and their linkages through to the State and regional economic and revenue bases.

Although there was at that time still somewhat limited information, data, and empirical analysis regarding the effects of the pandemic on the economy and the economic and fiscal implications of the federal fiscal response to the pandemic, their impact on State revenues, and the longer run effects of the resulting run up in the rate of inflation (which at the time was thought to be "transitory" in nature), there was enough information at that time to indicate that the more than $10 billion in federal, deficit-financed, financial assistance that flowed to Vermont in the aftermath of the initial stages of the pandemic was going to be at least off-setting—if not economically positive for the State. As that federal financial aid flowed to the State, the unprecedented totals for that federal financial aid off-set nearly all of the large detrimental effects on the Vermont economy tied to the pandemic and the necessary and consequential public health actions that were taken to address the public health aspects o the pandemic, In fact, at more than $17,345 per person in Vermont, early analysis indicated that the scale of that federal, deficit-financed federal pandemic aid was very likely be significantly out-right expansionary for the for all levels of the economy. The January 2023 Forecast also noted that there was no past precedent or roadmap for Vermont for what the near-term or longer-term effects of that federal fiscal and monetary policy assistance would be. It also raised appropriate concerns about the achievability of the near-term consensus revenue forecast targets for the fiscal years prior to 2025 that stood between that forecast and the beginning of fiscal year 2025. The January 2023 Consensus Forecast also included appropriate warnings about the likelihood that further revisions to that fiscal year 2025 forecast were likely to be needed as economic and State revenue developments further evolved over the intervening period.

The January 2023 Consensus Forecast for fiscal year 2025 was based on the latest consensus national and State economic outlook available at that time as adjusted by the State Economists. It also included a number of technical re-specifications of the various forecasting models for the revenue sources included in the forecast update, a revised consensus forecast of the revenue impact of a number of the recent federal and State tax changes (dating back to the passage of the Tax Cuts and Jobs Act of 2017 or the "TCJA"), and the State's response to that legislation and other short-term federal tax changes associated with the federal government's comprehensive response to the COVID pandemic. It also included another revision of the Sales and Use Tax estimate following the faster than expected initial expansion of the taxable base of e-commerce sales and the associated shifts in consumption patterns way from services and towards higher goods consumption. The January 2023 Consensus Forecast also included updated tax filing information regarding the effects of the pandemic on real estate demand in Vermont, including the initial positive, but ultimately largely temporary response in State real estate markets from out-of-State buyers. The January 2023 Consensus Forecast for fiscal year 2025 revenues also included a conservative assessment of the recovery in the State's "high-personal-contact" travel and tourism activity that had had to absorb among the largest negative impacts among the various State industry sectors resulting from the public health measures that were taken to initially contain the COVID virus' outbreak.

July 2023 Consensus Forecast. The July 2023 Consensus Forecast for fiscal year 2025 included a further revised consensus revenue outlook for the General Fund of $2,103.3 million (including an estimated $330.0 million consensus forecast of health care taxes, assessments, and other fees "Available to the General Fund"). The July 2023 Consensus Forecast for the General Fund represented a $18.3 million (or 0.9%) increase in consensus revenue expectations relative to the January 2023 Consensus Forecast for fiscal year 2025. For the Transportation Fund, the Emergency Board agreed to a consensus revenue forecast upgrade of $16.0 million (or 5.2%) to $322.1 million for fiscal year 2025. This increase in the Transportation Fund forecast was largely attributable to the increase in fees and other measures as passed by the 2023 General Assembly. The July 2023 Consensus Forecast as approved by the Emergency Board also included a revised consensus revenue forecast upgrade for receipts in the Education Fund of

$14.9 million (or 2.0%) to $749.5 million in fiscal year 2025. Relative to the initial January 2023 Consensus Forecast for fiscal year 2025, the July 2023 Consensus Forecast was 0.9% higher than the July 2023 Consensus Forecast for the General Fund. For the Transportation Fund and Education Fund, the July 2023 Consensus Forecast was 0.9% higher and 2.0% higher than the January 2023 Consensus Forecast, respectively. Overall, combined revenues General Fund, Transportation Fund, and Education Fund revenues for fiscal year 2025 are expected to be $49.2 million or 1.6% higher than the January 2023 Consensus Forecast for the three fund aggregates overall.

Both the January 2023 Consensus Forecast and the July 2023 Consensus Forecast included all relevant data on the current conflicting macroeconomic forces currently at play and their crosscurrents impacting State economic and revenue developments—including the historically rapid run-up in interest rates to the highest levels in roughly two decades. The updated July 2023 Consensus Forecast also included the most current information and updated actual tax and revenue collections data regarding the impact of all of the above factors listed above—with special emphasis on the emergence of Net Interest revenues as a significant General Fund and Education Fund revenue source. In addition, each forecast was based on the latest consensus national and State economic outlook available at that time and included a number of technical re-specifications of the various forecasting models for these forecasted revenue sources, including the expected level of commercial activity associated with legal Cannabis sales which began in fiscal year 2023.

Each of the latest two consensus forecasts also used revised consensus revenue estimates of the expected impact of a number of the recent federal and State tax changes, including the federal TCJA, the State's response to that legislation, the move to Market-Based Sourcing for establishing the nexus and extent of State Corporate Income Tax liabilities in Vermont, updated estimates of Net Interest revenues during the current higher interest rate period along with higher interest earning state bank balances following the pandemic , and the actions of the 2023 Vermont General Assembly. Each forecast also included the most current understanding of the evolution of consumption trends and patterns between goods and services and real estate activity as they continue to evolve in the post-pandemic economy toward potential "new normal." In addition, the forecasts also continue to track demographic shifts that have been emerging since the onset of the pandemic associated with new attitudes (e.g., more accepting of this practice) toward remote and hybrid work arrangements as they are current currently understood—even though these changes are still evolving in the post-pandemic economy.

January 2024 Consensus Forecast. As described in "GENERAL FUND, TRANSPORTATION FUND AND EDUCATION FUND RESULTS TO DATE – Fiscal Year 2024 Forecast" herein, over the July 2023 to December 2023 period of fiscal year 2024, State revenues experienced a mixed performance with revenues in the General Fund and Education Fund both exceeding cumulative consensus expectations, and revenues through December 2023 in the Transportation Fund lagging cumulative consensus expectations. On January 18, 2024, the Emergency Board met and approved the January 2024 Consensus Forecast. The January 2024 Consensus Forecast included a modest $13.0 million or 0.4% aggregate consensus forecast upgrade for fiscal year 2025 across all three major funds (including revenues "Available to the General Fund," "Available to the Transportation Fund," and "Available to the Education Fund"), reflecting (1) the continuing impacts of the cross-currents between still expansionary federal fiscal policy and contractionary federal monetary policies, and (2) the State's on-going economic and labor market recoveries as the State approaches the back-end of the effects of the COVID pandemic and the various public policy responses to it.

The January 2024 Consensus Forecast includes a revised "Available to the General Fund" consensus revenue forecast of $2,113.5 million for fiscal year 2025, a 0.8 percentage point decline from forecasted fiscal year 2025 revenues. The January 2024 Consensus Forecast for the General Fund for fiscal year 2024 represented an upward adjustment of $10.2 million (or 0.5%) relative to the July 2023 Consensus Forecast for fiscal year 2025, and a $28.4 million (or 1.4%) upward adjustment in the consensus revenue forecast for fiscal year 2025 relative to the January 2023 Consensus Forecast.

The January 2024 Consensus Forecast includes a revised Transportation Fund consensus revenue forecast of $315.7 million for fiscal year 2025. The revised forecast was based on the latest national and State economic outlook (including particular emphasis on State vehicle sales and the State registration fees), the anticipated effects of the increase in fees and other measures as passed by the 2023 General Assembly (see "STATE FUNDS AND REVENUES – State Transportation Fund Revenues"), technical re-specifications of the Transportation Fund components' forecasting models, and updated forward-looking fuel price forecasts for the Gas Tax and the Diesel Tax, with full consideration of the effects of current energy markets and the impacts of the recent global developments in eastern Europe and the Middle East on global oil prices. The January 2024 Consensus Forecast represented a $6.4 million (or 2.0%) downward adjustment in the consensus forecast relative to the July 2023 Consensus Forecast, and a $9.6 million (or 3.1%) upward adjustment for "Revenues Available to the Transportation Fund" relative to the January 2023 Consensus Forecast.

The January 2024 Consensus Forecast includes a revised Education Fund consensus revenue forecast of $758.8 million for fiscal year 2025 for the non-property tax portion of the Education Fund. This revised forecast was based on the latest national and State economic outlook based on data and information available, technical re-specifications of the forecasting models for these revenue sources, and the expected revenues associated with the fund structure changes made by Act 11 of 2018, Act 6 of 2019, and the actions of the 2023 General Assembly that impacted the Motor Vehicle Purchase and Use Tax. The January 2024 Consensus Forecast represented an upward adjustment of $9.3 million (or 1.2%) relative to the July 2023 Consensus Forecast for fiscal year 2025, and a $24.5 million (or 3.3%) upward adjustment relative to the January 2023 Consensus Forecast. The increase reflected the expected revenue effects of an updated assessment of increased compliance by e-commerce payers and a shift by Vermont households to a preference towards e-commerce sales (relative to traditional "bricks and mortar" retail sales).

The achievability of the fiscal year 2025 revenue targets in the January 2024 Consensus Forecast remains uncertain, but with a more generally balanced risk profile between upside and downside risks. This contrasts with the State's past forecast profiles in the fiscal years during and immediately after the onset of the COVID pandemic. Many aspects of the January 2024 Consensus Forecast are therefore still subject to a number of upside and downside risks, as the post-COVID pandemic period continues to evolve, and State revenues become increasingly the result of the underlying fundamentals of the economy and less dependent on post-pandemic economic and federal fiscal policies that responded to the economic and epidemiological challenges posed by the on-set of that public health disaster.

Fiscal Year 2025 – Consensus Revenue Forecast
($ in millions)

	January 2023 Consensus Forecast		July 2023 Consensus Forecast	% Difference (vs January 2023)		January 2024 Consensus Forecast	% Difference (vs July 2023)
General Fund	$2,085.1		$2,103.3	0.9%		$2,113.5	0.5%
Transportation Fund	306.1		322.1	5.2		315.7	(2.0)
Education Fund	734.6		749.5	2.0		758.8	1.2
Total	3,125.7		3,174.9	1.6		3,187.9	0.4

Consensus Forecast Updates

The State's consensus revenue forecasting and fiscal management process routinely includes the frequent monitoring of collections and other developments with revenues on a not less than monthly basis by fiscal managers. When warranted, receipts activity developments are tracked more frequently—sometimes on a daily basis (e.g. over the last five business days of each month of the fiscal year, and during other periods such as during the final payments season for the Personal Income Tax during the month of April on or around the due date for annual returns filings). The most recent update of the consensus revenue forecast occurred on January 18, 2024 for the General Fund, Transportation Fund, and the non-property tax portion of the Education Fund covering fiscal years 2024 through 2026. The State Economists also typically provide a five fiscal year set of fiscal planning revenue estimate numbers in conjunction with each consensus revenue forecast that are used for information purposes for the State's fiscal managers.

The State updates revenue forecasts semiannually in January and July of each fiscal year—except when conditions warrant more frequent consensus forecasts-risk assessment updates and/or alterations to that typical January-July schedule for extenuating circumstances (such as during the pandemic impacted 2020 calendar year). The Emergency Board is scheduled to meet again in mid-July 2024 to consider an updated staff recommended consensus revenue forecast update for fiscal years 2025 and 2026. The typical practice is to approve the updated consensus staff recommended revenue forecasts for the fiscal years as presented by the two State Economists. It is unlikely that the State Emergency Board will meet prior to its scheduled July 2024 semiannual review of an updated consensus revenue forecast. Additional meetings of the State Emergency Board have been called for and held in the past as significant changes in economic conditions and revenue collections activity may have warranted, but none are currently planned as of the date of this Official Statement.

Budget Stabilization Reserves

The 1987 General Assembly initially established the General Fund Budget Stabilization Reserve to "reduce the effects of annual variations in State revenues upon the budget of the State by retaining surpluses in General Fund revenues." Under current law, Budget Stabilization Reserves have been established within the General Fund, the Transportation Fund and the Education Fund.

Act No. 61 of the 1997 Legislative session amended both the General Fund and Transportation Fund budget stabilization laws by stipulating that the respective reserves shall consist of 5% of the prior year budgetary appropriations and further stipulated that in any fiscal year if the General Fund or Transportation Fund is found to have an undesignated fund deficit as determined by generally accepted accounting principles, the applicable Budget Stabilization Reserve shall be used to the extent necessary to offset that deficit. This was done to reflect the State's change to reporting its financial condition in accordance with generally accepted accounting principles.

As of June 30, 2020, the General Fund Budget Stabilization Reserve was $79.82 million and the General Fund Balance Reserve (a.k.a. the "rainy day reserve") was $31.55 million. The Transportation Fund Budget Stabilization Reserve as of June 30, 2020 was $14.09 million. The Education Fund Budget Stabilization Reserve was $32.98 million with an additional with $35.29 million in encumbered fund balance and no additional Unreserved and Undesignated Fund Balance. For fiscal year 2020, the State fully funded the Budget Stabilization Reserves for the General, Transportation, and Education Funds at their respective statutory maximum levels on June 30, 2020.

As of June 30, 2021, the General Fund Budget Stabilization Reserve was $81.87 million and the General Fund Balance Reserve (a.k.a. the "rainy day reserve") was $80.37 million. The Transportation Fund Budget Stabilization Reserve as of June 30, 2021 was $11.94 million. The Education Fund Budget Stabilization Reserve as of June 30, 2021 was $38.22 million with an additional with $56.73 million in encumbered fund balance and an additional $28.68 million in Unreserved and Undesignated Fund Balance. For fiscal year 2021, the State fully funded the Budget Stabilization Reserves for the General, Transportation, and Education Funds at their respective statutory maximum levels on June 30, 2021.

As of June 30, 2022, the General Fund Budget Stabilization Reserve was $87.12 million and the General Fund Balance Reserve (a.k.a. the "rainy day reserve") was $80.37 million. The Transportation Fund Budget Stabilization Reserve as of June 30, 2022 was $13.93 million. The Education Fund Budget Stabilization Reserve as of June 30, 2022 was $39.29 million with an additional with $85.16 million in encumbered fund balance and an additional $77.58 million in Unreserved and Undesignated Fund Balance. For fiscal year 2022, the State fully funded the Budget Stabilization Reserves for the General, Transportation, and Education Funds at their respective statutory maximum levels on June 30, 2022.

As of June 30, 2023, the General Fund Budget Stabilization Reserve was $106.67 million and the General Fund Balance Reserve (a.k.a. the "rainy day reserve") was $80.37 million. The Transportation Fund Budget Stabilization Reserve as of June 30, 2023 was $15.36 million. The Education Fund Budget Stabilization Reserve as of June 30, 2023 was $41.83 million with an additional with $56.95 million in encumbered fund balance and an additional $137.25 million in Unreserved and Undesignated Fund Balance. For fiscal year 2023, the State fully funded the Budget Stabilization Reserves for the General, Transportation, and Education Funds at their respective statutory maximum levels on June 30, 2023.

General Fund Balance Reserve

Act No. 162 of the 2012 Legislative session established within the General Fund the General Fund Balance Reserve (a.k.a. the "rainy day reserve"), which replaced the Revenue Shortfall Reserve, effective July 1, 2012. As amended by Act 6 of 2019 and Act 114 of 2022, after satisfying the funding requirements for the General Fund Budget Stabilization Reserve and after other statutory and/or reserve requirements have been met, 50% of any remaining unreserved and undesignated General Fund surplus at the end of the fiscal year shall be reserved in the General Fund Balance Reserve up to an amount not to exceed 5% of the prior fiscal year's total General Fund appropriations. Of the remaining 50% of any unreserved and undesignated General Fund surplus at the end of the fiscal year, 25% shall be transferred to the Vermont State Retirement Fund and 25% to the Postretirement

Adjustment Allowance Account. Monies from this reserve shall be available for appropriation by the General Assembly. The balance in the General Fund Balance Reserve has remained constant at $80.37 million since the close of fiscal year 2021 through the close of fiscal year 2023.

In fiscal year 2024, this reserve was reduced by $20 million to establish a $20 million National Telecommunications and Information Administration ("NTIA") Broadband Reserve, pursuant to Act 78 of 2023 (Section C.120). The purpose of this reserve was to serve as the State's letter of credit in securing a $100 million grant award from the NTIA, for which the State had a pending application at the time the fiscal year 2024 budget was being developed. Subsequently, the State was notified by the NTIA that it did not secure the award. As a result, this provision of Act 78 of 2023 (Section C.120) was repealed as part of the fiscal year 2024 Budget Adjustment Act (Act 87 of 2024 (Section 51)), thereby eliminating the NTIA Broadband Reserve and returning the $20 million to the General Fund Balance Reserve.

27/53 Reserve

Act No. 172 of the 2016 Legislative session established within the General Fund the 27/53 Reserve. The fund was established to reserve funds to account for two recurring liabilities: (i) to provide funding when there is an additional, or 27th, payroll in a fiscal year, and (ii) to provide funding for an extra week of Medicaid payments, often referred to as the "53rd week." Annually, the Commissioner of Finance and Management is required to report to the Joint Fiscal Committee the projected amount of the outstanding liability and recommend a prorated share to be reserved in the upcoming fiscal year. The Governor is required to include the amount of the prorated share in their budget recommendation. At the close of fiscal year 2021, $20.30 million was reserved in the 27/53 Reserve fund. Following the occurrence of a 27th payroll period and a 53rd week of Medicaid payments in fiscal year 2022, the end balance for the fund as of June 30, 2022 was $0.01 million. $3.02 million reserved in fiscal year 2023, plus a $0.72 million prior year adjustment, brought the year end reserve balance to $3.75 million.

Human Services Caseload Reserve

Act No. 3 of the 2017 Legislative session revived the Human Services Caseload Reserve within the General Fund. This reserve was revived to manage unanticipated fluctuations in caseload pressures at AHS, primarily within the Medicaid program, and any financial impacts that may result from changes in federal policy. At the end of fiscal year 2023, $97.01 million was reserved in the Human Services Caseload Reserve following a $0.72 million prior year adjustment.

PCB Reserve Fund

Act 178 of 2022 established a $32 million Education Fund Reserve (the "PCB Reserve Fund") from remaining unreserved and undesignated monies as of the close of fiscal year 2022 for the purposes of funding the investigation, testing, assessment, remediation, and removal of polychlorinated biphenyls ("PCBs") in Vermont schools. At the time of the creation of the PCB Reserve Fund, disbursements of monies were initially authorized for the investigation, testing, and assessment of PCBs in Vermont schools. Monies for remediation and removal of PCBs and for other required responses to the presence of PCBs in schools were allowed following the adoption of a written plan from the Vermont Department of Health, the Agency of Education, and the Agency of Natural Resources setting out a disbursement process for addressing PCBs in Vermont schools. The plan was subsequently completed, submitted, and approved.

Act 178 of 2022 also authorized the State to recover from manufacturers of PCBs monies that were expended from the reserves created by the Act. On June 16, 2023, the State Attorney General filed a lawsuit against Monsanto, Solutia, and Pharmacia, three major manufacturers of PCBs, for the purpose of recovering the costs of testing and remediating identified PCB contamination in some Vermont schools. At this time, the State cannot predict the outcome of the above-referenced litigation.

Act 78 of 2023 unreserved the full $32 million in the PCB Reserve Fund for use in fiscal years 2023 and 2024. In fiscal year 2024, $29.72 million will be appropriated from the Education Fund for grants to schools related to the investigation, remediation, or removal of PCBs.

Future Supplemental COLA Payment Reserve

Act 78 of 2023 established a $9.1 million reserve within the Education Fund to fund future supplemental cost of living payments to qualifying retired members and beneficiaries of the Vermont State Teachers' Retirement

System or the present value of any changes made to the methodology for calculating the postretirement adjustments allowance. Act 87 of 2024 unreserves the full $9.1 million and transfers $9.34 million in Education Fund dollars to the Vermont Teachers' Retirement Fund to fund the present value of modifications made to the postretirement adjustments allowance also set forth in Act 87.

Tax Rate Offset Reserve

Act 52 of 2023 established a $13 million reserve in the Education Fund (the "Tax Rate Offset Reserve") for the purpose of offsetting education property tax rate increases in fiscal year 2025. The Commissioner of Taxes applied the reserved funding to the calculation of the fiscal year 2025 yields and non-homestead rate in the annual yield/rate recommendation, which was submitted on December 1, 2023.

Financial Summaries

Following are summaries, presented on budgetary (or cash) based operating statements, of actual operating results for fiscal years 2020 through 2023, and current law for fiscal year 2024, for the General Fund, the Transportation Fund, and the Education Fund—the primary operating funds of the State.

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General Fund Operating Statement[1]

Budgetary Based

Fiscal Years 2020 – 2024

($ in Millions)

	Actual FY2020	Actual FY2021	Actual FY2022	Actual FY2023[2]	Current Law FY2024[3]
Sources					
Current Law Revenues[4]	$1,457.44	$1,952.33	$2,123.23	$2,224.43	$2,124.93
Tax Data Warehouse	-	-	-	-	-
Direct Applications, Transfers in & Reversions	96.73	169.92	195.74	87.61	164.55
Other Revenue[5]	52.93	-	-	-	-
Additional Property Transfer Tax	12.82	34.45	36.77	18.70	10.47
Prior Year Reserves for Appropriation[6]	0.85	-	103.61	177.41	337.45
Total Sources	**1,620.78**	**2,156.70**	**2,459.34**	**2,508.15**	**2,637.40**
Uses					
Base Appropriations	1,633.73	1,606.02	1,720.92	1,875.01	2,048.02
Budget Adjustment/Rescissions	(37.33)	-	34.66	(46.18)	21.54
One-time Appropriations	-	30.90	85.26	204.45	231.13
Contingent One-time Appropriations from Same Year Surplus[7]	-	-	170.60	-	-
Other Bills	10.92	105.48	321.94	64.27	100.23
Total Uses	**1,607.31**	**1,742.39**	**2,333.38**	**2,097.54**	**2,400.91**
Operating Surplus (deficit)	**13.47**	**414.30**	**125.96**	**410.61**	**236.49**
Transfers (to) / from Other Funds					
Internal Service Funds	-	-	-	-	-
Education Fund	-	-	-	-	-
Other Funds[8]	(9.65)	(108.50)	(112.86)	(50.59)	(189.35)
Total Transfers (to) / from Other Funds	**(9.65)**	**(108.50)**	**(112.86)**	**(50.59)**	**(189.35)**
Transfers (to) / from Reserves					
Other Reserves[9]	-	(150.00)	149.30	-	0.70
Budget Stabilization Reserve	(1.64)	(2.04)	(5.25)	(19.55)	1.79
Human Services Caseload Reserve	1.85	0.51	-	0.72	-
Reserved in 27/53 Reserve	(4.03)	(1.85)	20.29	(3.74)	(5.35)
Reserved in General Fund Balance Reserve	-	(48.81)	-	-	-
Total Reserved in the GF	**(3.82)**	**(202.20)**	**164.34**	**(22.57)**	**(2.86)**
Total Transfers (to) / from Surplus	**(13.47)**	**(310.70)**	**51.48**	**(73.16)**	**(192.21)**
Unallocated Operating Surplus/ (Deficit)	**(0.00)**	**103.61**	**177.44**	**337.45**	**44.28**
GF Reserves (cumulative)					
Budget Stabilization Reserve	79.82	81.87	87.12	106.67	104.88
Human Services Caseload Reserve	98.24	97.73	97.73	97.01	97.01
27/53 Reserve	18.45	20.30	0.01	3.75	9.10
Reserved in General Fund Balance Reserve	31.55	80.37	80.37	80.37	80.37
Other Reserves	-	150.00	0.70	0.70	-
Total GF Reserve Balances	**$228.06**	**$430.26**	**$265.92**	**$288.49**	**$291.35**

1 Results may not add due to rounding.

2 Preliminary; unaudited.

3 Based on the consensus revenue forecast adopted by the Emergency Board on January 18, 2024 and appropriations effective July 1, 2023 pursuant to Act 78 of 2023, as amended March 13, 2024 by Act 87 of 2024 (see “Fiscal Year 2024 Budget and Budget Adjustment”).

4 The amounts shown for fiscal years 2021 and 2023 “Current Law Revenues” exclude $5,000 from the Caledonia Fair and $24,047 from the North Country Hospital Loan Repayment per Act 154 of 2020, which are included in the “Direct Applications, Transfers in & Reversions” total. Fiscal year 2023 includes an additional $121,416 exclusion due to the Springfield Hospital Promissory Note payment being included in the “Direct Applications, Transfers in & Reversions” total.

5 The amount shown for fiscal year 2020 as “Other Revenue” includes the recognition of State Health Care Resources Fund (SHCRF) revenue as General Fund revenue, pursuant to Act 72 of 2019 in order to offset the structural change in General Fund revenues affected by Act 11 of 2018 (i.e. the loss of 100% of the Sales and Use Tax and 25% of the Meals and Rooms Tax as revenue sources).

6 The amount in fiscal year 2023 was adjusted by $0.02 million to account for the failure in fiscal year 2022 to adjust the “Current Law Revenues” by the same amounts as indicated in footnote 4 for fiscal year 2021. This adjustment was made as part of the fiscal year 2023 closing process.

7 The amount shown for fiscal year 2022 “Contingent One-Time Appropriations” represents the fund source changes authorized by Act 74 of 2021 Sec. C.111(a) plus certain one-time appropriations authorized by Act 185 of 2022 Sec. C. 102(b).

8 The amount shown for fiscal year 2021 “Transfers to/from Other Funds” includes a $51.2 million interfund loan repayment to the CRF pursuant to Act 109 of 2020, Sec. 30(a)(1). The amount shown for fiscal year 2024 reflects the transition from appropriating debt service payments to transferring directly from the General Fund (see “Fiscal Year 2024 Budget and Budget Adjustment”).

9 The amount shown for fiscal year 2021 “Transfers to/from Other Reserves” reflects $150 million reserved for pension funding initiatives. The amount shown for fiscal year 2022 reflects the appropriation of that $150 million for pension funding initiatives, less $700,000 reserved per Act 185 of 2022 Sec. C.107.2, which was released in fiscal year 2024 in accordance with Act 78 of 2023, Sec. D.103.

Transportation Fund Operating Statement[1]

Budgetary Based
Fiscal Years 2020 – 2024
($ in Millions)

	Actual FY 2020	Actual FY 2021	Actual FY 2022	Actual FY 2023[2]	Current Law FY2024[3]
Sources					
Current Law Revenues	$ 264.11	$ 282.71	$287.85	$295.14	$299.40
New Revenue	-	-	-	-	-
Refund of Prior Year	0.05	0.03	0.53	0.01	-
Federal Reimbursements[4]	-	-	18.08	3.12	-
Bond Premium	-	-	-	-	-
Direct Applications & Reversions	-	-	-	-	-
Current Year Sources	**264.15**	**282.74**	**306.46**	**298.27**	**299.40**
For Approp from General Fund Transfer	-	-	-	-	-
Prior Year Unallocated Operating Surplus	-	24.16	28.59	15.34	25.98
Total Sources	**264.15**	**306.90**	**335.05**	**313.61**	**325.38**
Uses					
Base Appropriations	282.91	271.98	306.87	323.87	329.24
Budget Adjustments	(1.94)	(3.38)	-	(6.70)	-
Current Year Reversions	(44.60)	(6.31)	(3.93)	(34.79)	(13.11)
Excess Receipts	-	-	-	-	-
Pay Act	2.37	3.91	4.25	1.50	2.50
One-time Appropriations	**-**	**12.30**	-	-	**-**
Total Uses	**238.73**	**278.51**	**307.19**	**283.89**	**318.63**
Operating Surplus (deficit)	**25.42**	**28.40**	**27.86**	**29.72**	**6.76**
Allocation of Surplus					
Transfers (to) / from Other Funds:					
Downtown Fund	(0.42)	(0.52)	(4.02)	(0.52)	(0.52)
Central Garage Fund	(0.36)	(1.01)	(1.43)	(1.56)	-
Other Funds	0.15	(0.05)	(4.71)	0.15	(0.19)
VT Recreational Trail Fund	(0.37)	(0.37)	(0.37)	(0.37)	(0.37)
Total transfers (to) / From Other Funds	**(1.00)**	**(1.95)**	**(10.53)**	**(2.30)**	**(1.08)**
Reserved in TF (designated):					
Budget Stabilization Reserve	(0.26)	2.15	(1.99)	(1.43)	1.17
Total Reserved in the TF (designated)	**(0.26)**	**2.15**	**(1.99)**	**(1.43)**	**1.17**
Total Allocated	**(1.26)**	**0.20**	**(12.52)**	**(3.74)**	**0.08**
Unallocated Operating Surplus / (deficit)	**24.16**	**28.59**	**15.34**	**25.98**	**6.84**
TF Reserves (cumulative)					
Bond Insurance Premium Reserve	-	-	-	-	-
Transportation FMS Development Fund			-	-	-
Budget Stabilization Reserve	14.09	11.94	13.93	15.36	14.19
Total TF Reserve Balances	**$14.09**	**$11.94**	**$13.93**	**$15.36**	**$14.19**

1 Results may not add due to rounding.
2 Preliminary; unaudited.
3 Based on the consensus revenue forecast adopted by the Emergency Board on January 18, 2024 and appropriations effective July 1, 2023 pursuant to Act 78 of 2023, as amended by Act 87 of 2024.
4 Reflects revenue from federal payments reimbursing approved indirect charges.

Education Fund Operating Statement[1]

Budgetary Based
Fiscal Years 2020 – 2024
($ in Millions)

	Actual FY 2020	Actual FY 2021	Actual FY 2022	Actual FY2023[2]	Current Law FY2024[3]
Sources					
Net Homestead Education Tax	$443.73	$462.19	$476.38	$464.63	$513.20
2024 Act 160 State Education Property Tax Abatement[4]	-	-	-	-	(1.10)
Non-Homestead Education Tax	700.31	735.21	752.42	738.94	792.20
Sales & Use Tax[5]	432.47	507.60	545.18	584.00	589.61
Purchase & Use Tax	35.13	44.69	45.69	47.39	47.20
Meals & Rooms Tax[6]	40.89	35.95	54.21	59.41	59.90
Lottery Transfer	26.82	32.50	30.80	32.12	32.30
Medicaid Transfer	10.56	7.41	11.45	10.32	10.80
Fund Interest	0.84	0.11	0.29	5.78	7.30
Solar Energy Property Tax & Other	0.80	0.84	0.90	.98	1.00
Wind Property Tax	1.04	1.07	1.16	1.07	0.65
All Other Revenues	0.46	0.87	1.23	4.05	1.22
2019 Act 6 Sec. 82(b) - Advanced Wood Boilers Tax Expenditure	0.06	-	-	-	-
2019 Act 72 Sec. E.500.2 – Education Financial Systems Transfer	1.91	-	-	-	-
Total Sources	**1,695.02**	**1,828.44**	**1,919.71**	**1,945.90**	**2,056.88**
Uses					
Education Payment – Education Spending	1,426.40	1,483.26	1,487.99	1,576.53	1,711.15
Education Payment - Driver's Ed, Unenrolled FTEs, Act 46 Grants	0.79	0.46	1.31	0.77	-
Special Education	202.50	198.00	209.15	221.21	229.82
State-Placed Students	13.70	13.89	14.78	13.74	19.00
Transportation	19.80	20.46	20.48	21.79	23.52
Technical Education	12.44	13.34	13.93	14.48	17.03
Small Schools	7.80	7.59	7.92	7.57	8.30
EEE Block Grant	6.45	7.00	7.05	7.51	8.35
Adult Education & Literacy/Flexible Pathways	9.10	5.95	6.00	6.38	9.22
Reappraisal, Listing Payment, & Accounting Fees	0.17	-	-	-	-
Teachers' pension - normal cost	6.78	6.88	37.60	33.43	33.13
Education finance & administration	2.92	2.25	2.03	2.41	3.49
Retired teachers' health care	-	-	13.30	15.10	15.42
VSAC flexible pathways	-	-	0.04	0.04	0.04
2018 Act 173 Sec. 11(d) – Education Funding Study	0.25	-	-	-	-
2022 Act 83 Sec. 65(a) – Technical Education Supplemental Grant Funding	-	-	1.73	-	-
2022 Act 183 Sec. 16(b)(1) – VHCB CTE Construction and Rehab	-	-	-	0.73	-
2022 Act 151 Sec. 5 – Universal Meals	-	-	-	22.18	24.00
2022 Act 178 Sec. 3(b) PCB Funds Released by EBoard[7]	-	-	-	0.05	-
2022 Act 178 Sec. B.1104 Retired Teachers Cost of Living Payment	-	-	-	-	3.00
2023 Act 78 Sec. C.112(b) PCB Grants	-	-	-	-	29.72
2024 Act 87 Sec. B.1100(r)(2) Census Block Grant Hold Harmless	-	-	-	-	1.92
Total Uses	**1,709.11**	**1,759.08**	**1,823.30**	**1,943.91**	**2,137.12**
Current Year Reversions	**-**	**-**	**-**	**-**	**9.70**
Operating Surplus/(Deficit)	**(14.09)**	**69.36**	**96.41**	**2.00**	**(70.53)**
Transfers (to) / from Other Funds					
Tax Computer System Modernization Fund[8]	-	-	-	-	(1.30)
Vermont Teachers' Retirement Fund[9]	-	-	-	-	(9.34)
Afterschool & Summer Learning Fund[5]	-	-	-	-	(2.84)
Total Transfers (to) / from Other Funds					**(10.64)**
Transfers (to) / from Reserves					
Budget Stabilization Reserve	4.06	(5.24)	(1.07)	(2.54)	(5.20)
Pension/OPEB Prefunding Reserve	-	(14.00)	14.00	-	-
PCB Reserve[4]	-	-	(32.00)	32.00	-
Future Supplemental COLA Payment Reserve[9]	-	-	-	-	-
Tax Rate Offset Reserve[10]	-	-	-	-	(13.00)
Unreserved/Unallocated	(9.36)	(21.44)	(28.43)	28.21	-
Total Transfers (to) / from Reserves	**(5.31)**	**(40.68)**	**(47.51)**	**57.67**	**(18.20)**
Unallocated Operating Surplus / Deficit	**(19.39)**	**28.68**	**48.90**	**59.67**	**(102.21)**
EF Reserves					
Budget Stabilization Reserve	32.98	38.22	39.29	41.83	47.03
Pension/OPEB Prefunding Reserve	-	14.00	-	-	-
PCB Reserve[6]	-	-	32.00	-	-
Future Supplemental COLA Payment Reserve[9]	-	-	-	-	-
Tax Rate Offset Reserve	-	-	-	-	13.00
Designated for Continuing Appropriations (Encumbered)	35.29	56.73	85.16	56.95	56.95
Current Year Unallocated/Unreserved	-	28.68	77.58	137.25	35.04
Total EF Reserve Balance	**$68.27**	**$137.63**	**$234.04**	**$236.03**	**$152.02**

1 Results may not add due to rounding.
2 Preliminary; unaudited.
3 Based on the consensus revenue forecast adopted by the Emergency Board on January 18, 2024 and appropriations effective July 1, 2023 pursuant to Act 78 of 2023 and Act 87 of 2024.
4 Act 82 of 2024 allows for the reimbursement of certain State education property tax payments if a municipality granted property tax abatements to property owners for storm/flood damage in 2023. The Joint Fiscal Office estimates this will reduce Fiscal Year 2024 Education Fund revenues by $1.1 million.
5 Pursuant to Sec. E.500.1 of Act 78 of 2023, which created the Afterschool and Summer Learning grant program funded by cannabis sales tax revenues. In the original language, the grant program was funded with Education Fund dollars; Sec. 97 of Act 87 of 2024 instead redirects cannabis sales tax revenues to a special fund. The transfer here represents the amount of cannabis sales tax revenue collected & deposited in the Education Fund in fiscal year 2023 being transferred to the new special fund. Sales & Use revenue is also reduced by $6.99 million, the estimated cannabis sales tax revenue for fiscal year 2024.
6 Pursuant to Sec. 2 of Act 178 of 2022, which established a new reserve to fund future Polychlorinated Biphenyl (PCB) investigation, testing, assessment, remediation, and removal in Vermont schools. See "RECENT GENERAL FUND, TRANSPORTATION FUND AND EDUCATION FUND OPERATING RESULTS – PCB Reserve Fund" herein. Sec. C.112 of Act 78 of 2023 unreserved the full $32 million.
7 Sec. 3 of Act 178 authorized the Emergency Board transfer up to $2.5 million to address immediate PCB-related needs; the Board did so at their October 24, 2022 meeting.
8 Pursuant to Sec. D.101(a)(2)(A) of Act 78 of 2023.
9 Pursuant to Sec. D.104 of Act 78 of 2023. See "RECENT GENERAL FUND, TRANSPORTATION FUND AND EDUCATION FUND OPERATING RESULTS – Future Supplemental COLA Payment Reserve" herein. This reserve was established for fiscal year 2023 in Act 78 of 2023 and subsequently unreserved in fiscal year 2024 in Act 87 of 2024. The $9.1 million reserve supported the transfer of $9.34 million to the Vermont Teachers' Retirement Fund.
10 Pursuant to Sec. 2 of Act 52 of 2023. See "RECENT GENERAL FUND, TRANSPORTATION FUND AND EDUCATION FUND OPERATING RESULTS – Tax Rate Offset Reserve" herein.

Fiscal Year 2024 Budget and Budget Adjustment

The original fiscal year 2024 General Fund budget was based on the January 2023 Consensus Revenue Forecast for the General Fund of $2,023.7 million plus an additional $337.4 million of prior year unallocated funding resulting from the enactment of the fiscal year 2023 Budget Adjustment Act. Direct applications and reversions of $106.6 million, additional property transfer tax proceeds of $12.0 million, and other net revenue changes of ($6.5 million) provided a total of $2,473.3 million in budgeted General Fund revenues for fiscal year 2024. The fiscal year 2024 General Fund budget provided for total base appropriations of $2,048.0 million, one-time appropriations of $231.1 million, $78.1 million of appropriations found in miscellaneous Acts of the General Assembly, and Pay Act appropriations (an annual appropriation to cover budget year payroll cost increases) of $21.6 million. This resulted in $2,378.9 million of total appropriations and a $94.4 million operating surplus. This operating surplus was supplemented by a $2.0 million transfer from the Cannabis Regulation Fund, $1.8 million of liberated reserves due to prior year appropriation reductions and $0.7 million of unreserved funds for health care and social service workforce needs. The resulting $98.9 million balance was distributed as follows: $22.2 million was transferred to multiple other funds, $67.2 million[17] was specifically transferred to the Cash Fund for Capital and Essential Investments to implement PayGo capital investments and other miscellaneous priorities of the General Assembly, and $5.4 million was added to the 27/53 reserve. The remaining $4.1 million remained unallocated.

In January 2024, the Emergency Board approved an upgraded General Fund consensus revenue forecast for fiscal year 2024, reflecting a 5.3% (or $107.7 million) increase versus the July 2023 Consensus Forecast for the General Fund. This revenue upgrade was slightly offset by a $1.5 million reduction in anticipated additional property transfer tax receipts. Supplementing this net increase was an additional $8.6 million of direct applications and $49.3 million of additional prior years' spending authority reversions. In total, $164.1 million (6.6%) of additional sources were added to the General Fund.

During each fiscal year, the General Assembly may deem it necessary to adjust the current year's budget. This change is implemented via the Budget Adjustment Act ("BAA"). The BAA is enacted into law similarly to the appropriations act. The fiscal year 2024 BAA was enacted on March 13, 2024 as Act 87 of 2024 (the "2024 Budget Adjustment Act" or "2024 BAA").

The 2024 BAA increased General Fund Base appropriations by $31.0 million (1.3%) over the original budget as passed by the General Assembly in Act 78 of 2023. An additional $72.5 million of one-time General Fund appropriations as well as an additional $30.8 million of General Fund transfers were also included. The remaining $31.0 million balance was added to the existing unallocated General Funds for use in the fiscal year 2025 appropriations act. The General Fund fully funds its $104.9 million Budget Stabilization Reserve and maintains total reserves equal to $291.4 million.

In addition, the 2024 BAA included a technical adjustment to replace the General Fund Debt Service appropriation with a General Fund transfer to the General Obligation Bonds Debt Service Fund. The General Obligation Bonds Debt Service Fund is the fund from which General Obligation Bonds Debt Service payments are actually disbursed by the State Treasurer per 32 V.S.A. § 954(a). This resulted in a $71.2 million adjustment to what was previously included in the original budget as part of General Fund appropriations, which amount now appears as part of "Transfers (to) Other Funds" (as shown on the General Fund operating statement). This adjustment accounts for the difference between the amounts itemized in the preceding paragraphs discussing the fiscal year 2024 budget and BAA and those reflected in the General Fund operating statement.

The fiscal year 2024 General Fund budget includes $15 million appropriated from the General Fund for a high-risk FEMA Reserve to mitigate the risk of FEMA denials. The 2024 BAA includes $30 million appropriated from the General Fund for a State FEMA match for the July 2023 Flooding, $6.25 million appropriated from the General Fund for municipal flood relief, and a $17.25 million transfer from the General Fund to the Emergency Relief and Assistance Fund for the State's share of the local match needed for FEMA funds. The purpose of these increased

[17] An additional $22.5 million and $23.4 million was transferred to the Cash Fund for Capital and Essential Investments in fiscal year 2023, pursuant to Act 78 of 2023, Sec. C.109.

amounts is to make available a fiscally prudent level of matching funds for larger-than-usual FEMA disaster grants and to reduce the burden on municipalities caused by recent flooding events.

The fiscal year 2025 General Fund budget (Act 113 of 2024) further amended the fiscal year 2024 General Fund budget by reducing the appropriation for the Childcare Financial Assistance Program by $10 million, in accordance with updated demand for services provided by the Department for Children and Families. In addition, Act 113 of 2024 added $0.5 million for the summer EBT software investment and $0.02 million for additional local economic damage grants to municipalities impacted by flooding. Act 84 of 2024 appropriated an additional $0.5 million to the Secretary of State to assist municipalities needing to readvertise their local elections, in accordance with Vermont's Open Meeting Law, due to the repeal of the cap on homestead property tax rate increases originally imposed by Act 127 of 2022.

The fiscal year 2024 Transportation Fund budget is based on the consensus Transportation Fund forecast of $299.40 million adopted by the Emergency Board on January 18, 2024. This budget provides for total appropriations of $318.63 million and projects a fully funded Budget Stabilization Reserve of $14.19 million at the end of fiscal year 2024.

The fiscal year 2024 Education Fund budget is based on the consensus revenue forecast adopted by the Emergency Board on January 17, 2023, and appropriations effective July 1, 2023 pursuant to Act 78 of 2023. The budget provides for total appropriations of $2.13 billion and projects a fully funded Budget Stabilization Reserve of $47.03 million. The budget also established the following reserves intended to reduce future cost pressures: (i) the $13 million Tax Rate Offset Reserve and (ii) the $9.1 million Future Supplemental COLA Payment Reserve. Adjustments in the 2024 BAA result in total appropriations of $2.14 billion. The $9.1 million Future Supplemental COLA Payment Reserve is unreserved to support the transfer of $9.34 million to the Vermont Teachers' Retirement Fund. See "RECENT GENERAL FUND, TRANSPORTATION FUND AND EDUCATION FUND OPERATING RESULTS" under the subheadings "– Future Supplemental COLA Payment Reserve" and "– Tax Rate Offset Reserve."

Fiscal Year 2025 Budget

The fiscal year 2025 General Fund budget, passed by the General Assembly and signed by the Governor on May 24, 2024 as Act 113 of 2024, is based on the January 2024 Consensus Revenue Forecast for the General Fund of $2,113.5 million plus an additional $44.3 million of prior year unallocated funding resulting from the enactment of the 2024 BAA and the recommendations of the Governor as presented to the General Assembly on January 23, 2024. Direct applications and reversions of $121.3 million, additional property transfer tax proceeds of $8.2 million, and other net revenue changes of $9.1 million provided a total of $2,296.3 million in budgeted General Fund revenues for fiscal year 2025. The fiscal year 2025 General Fund budget provides for total base appropriations of $2,112.3 million, one-time appropriations of $43.0 million, $0.6 million of appropriations found in miscellaneous Acts of the General Assembly, and Pay Act appropriations (an annual appropriation to cover budget year payroll cost increases) of $30.6 million. This results in $2,186.5 million of total appropriations and a $109.9 million operating surplus. This operating surplus is supplemented by a $12.0 million transfer from the Cannabis Regulation Fund and $3.9 million of proceeds unreserved from the Human Services Caseload Reserve. The resulting $125.8 million balance is distributed as follows: $1.7 million is the net transfer to the Cash Fund for Capital and Essential Investments to implement PayGo capital investments and other miscellaneous priorities of the General Assembly, $25 million is transferred to the Education Fund, $73.2 million is transferred to the General Obligation Bonds Debt Service Fund, $4.9 million is the net amount transferred to multiple other funds, $5.5 million was added to the 27/53 reserve, and $15.2 million is added to the Budget Stabilization Reserve based upon fiscal year 2024 appropriations. The remaining $0.3 million remains unallocated.

The fiscal year 2025 Transportation Fund budget is based on the January 2024 Consensus Revenue Forecast for the Transportation Fund of $315.7 million. This budget provides for total appropriations of $355.0 million and projects a fully funded Budget Stabilization Reserve of $15.93 million at the end of fiscal year 2024.

The fiscal year 2025 Education Fund budget is based on the January 2024 Consensus Revenue Forecast, estimated property tax revenues and other revenues pursuant to H. 887 of 2024 ("H. 887"), and appropriations made in the fiscal year 2025 General Fund budget. As of the date of this Official Statement, H. 887, the annual yield bill that sets the Statewide education tax rates to support the Education Fund budget has passed the General Assembly but has not yet been delivered to the Governor for action. If H. 887 becomes law, the Education Fund budget will provide for total appropriations of $2.325 billion and a fully funded Education Fund Budget Stabilization Reserve of $52.3 million. The Education Fund budget will (i) receive a $25 million transfer from the General Fund described above, (ii) use the full $13 million Tax Rate Offset Reserve established by Act 52 of 2023 (see "RECENT GENERAL FUND, TRANSPORTATION FUND AND EDUCATION FUND OPERATING RESULTS" under the subheading "– Tax Rate Offset Reserve"), (iii) repeal an existing sales tax exemption for prewritten software accessed remotely, and (iv) establish a short-term rental surcharge.

As enacted by the General Assembly, H. 887 will result in an increase in the average property tax bill of approximately 13.8%. It also establishes a Commission on the Future of Public Education to study and make recommendations for reforming the State's public education system. On June 6, 2024, the Governor vetoed H. 887 because it does not, in his opinion, provide enough property tax relief or make structural reforms to education funding. The General Assembly is scheduled to return into session on June 17, 2024, to address all outstanding vetoed legislation.

A two-thirds majority vote of both houses of the General Assembly is required to override any veto by the Governor. If the veto is overridden, H. 887 would become law in its current form. If the veto is sustained, it is likely that the General Assembly and the Governor would eventually agree on compromise legislation, which could then be enacted by the General Assembly at the veto session in June or, if necessary, at a special session called by the Governor. Either a veto override or compromise legislation for fiscal year 2025 would avoid having the yields and non-homestead property tax rate revert to the defaults in law and avoid a potential Education Fund deficit of approximately $90 million, which would necessitate drawing down the Education Fund Budget Stabilization Reserve, which has a current balance of approximately $47 million. To date, the State has always entered each fiscal year with the Education Fund projected to be in balance and expects to do so for fiscal year 2025, although the details of a final enacted yield bill are not yet certain.

State Dependence on Federal Funds

The State's fiscal year 2023 GAAP based operating results show revenues of $8.38 billion, of which $3.47 billion (41.4%) came from federal funds. Of the remaining $4.91 billion in State funds, $2.27 billion represents General Fund revenues. The $3.47 billion in federal funds represents an increase of $127.3 million (3.8%) from the amount received in fiscal year 2022. This increase was largely related to increased spending in the transportation and human services functions.

The State's total fiscal year 2024 unduplicated appropriations, as amended, for all funding sources is $8.68 billion, of which $3.20 billion (36.8%) is assumed to come from federal funds. Of the remaining $5.48 billion in appropriations, $2.40 billion represents General Fund appropriations. The State's major funds' reserves are currently fully funded and in each year since the Great Recession the State has shown a commitment to efficiently and effectively deal with any reduction in federal revenues by covering the shortfall with other funds or enacting rescissions.

With respect to federal aid relating to healthcare, Vermont's Medicaid and Long-Term Care are not covered by the traditional federal programs; they are covered under a Section 1115 demonstration waiver. The waiver represents a written agreement with the federal Centers for Medicare and Medicaid Services ("CMS"), which runs through December 31, 2027.

The IIJA has provided the State a unique opportunity to leverage federal funds for a multitude of State capital needs. The General Assembly reduced the uncertainty of future funding availability, associated with future economic cycles, by reserving known amounts of funding for future use now. These reserves were based upon known investments currently in queue for engineering and construction.

Cash Balances

The State Treasurer's Office is responsible for the investment of the State's operating and restricted funds, and other non-retirement related trust funds. For operating funds and restricted funds (those funds identified as having certain federal restrictions, grant restrictions, or funds that must be segregated by statute), the State has an investment policy with an overriding goal of minimizing exposure to risk and maintaining liquidity necessary for future cash needs, while maximizing the return on investments of these funds. Types of investments allowed include obligations of the United States and its agencies and instrumentalities; certificates of deposit issued by banks and savings and loan associations approved by the State Treasurer; domestic money market funds; and other money market instruments. The Treasurer's Office issues additional formal guidance that is reviewed periodically to assure that the three investment objectives—safety, liquidity, and yield—are met.

As of March 31, 2024, the balance of the short-term operating cash totaled approximately $2,165.2 million, split between unrestricted funds of $2,093.8 million and restricted funds of $71.4 million. Approximately $883.7 million or 40.8% of this amount was held on deposit at M&T Bank and TD Bank in collateralized accounts, $558.2 million or 25.7% was invested in Fidelity and Federated money market funds, $557.6 million or 25.8% was invested directly in United States Treasury bills, and $130.0 million or 6.0% was invested in collateralized certificates of deposit of TD Bank. In addition, approximately $35.7 million, or 1.7%, was invested in certain local investments pursuant to a credit facility program authorized under State law and established by the State Treasurer for local investments. This local investment program permits up to ten percent (10%) of the State's average cash balance to be invested under this program, on terms acceptable to the State Treasurer and consistent with prudent investment principles and guidelines.

The following table provides General Fund monthly ending cash balances for fiscal year 2019 through March 2024.

Month-End General Fund Cash Balances
(in millions)

Month	FY2024	FY2023	FY2022	FY2021	FY2020	FY2019
July	$2,327.4	$2,240.3	$1,608.7	$452.2	$445.5	$420.7
August	2,205.4	2,094.5	1,588.2	449.2	312.9	290.6
September	2,050.3	2,128.9	1,523.2	434.7	222.1	226.3
October	1,998.3	2,075.3	1,595.9	364.3	238.9	259.8
November	2,132.4	2,174.0	1,694.4	565.8	377.9	357.0
December	1,921,1	1,908.6	1,475.6	648.7	276.3	184.7
January	2,046.5	2,130.4	1,587.2	721.4	313.4	245.1
February	2,056.2	2,161.5	1,626.5	814.8	313.7	312.4
March	2,093.8	2,335.2	1,636.0	864.0	374.9	340.1
April	2,041.9	2,381.8	1,745.6	808.1	281.3	401.8
May	-	2,502.8	2,173.8	1,121.1	299.7	430.6
June	-	2,600.7	2,415.6	1,237.3	401.1	590.7

REVENUE ESTIMATES

Act No. 178 of the 1996 Adjourned Session established a mechanism by which the State adopts official revenue estimates for the current and subsequent fiscal years. By or around July 15th and January 15th of each year, and at such other times as the Emergency Board or the Governor deem proper over the course of a particular fiscal year, the JFO and the Secretary of Administration are to provide to the Emergency Board (comprised of the Governor and the Chairs of the key taxing and spending committees of both chambers of the Vermont General Assembly) their respective staff-recommended revenue estimates for the General, Transportation, Education, and health care funds, and revenues from the gross receipts tax, for the current and next succeeding fiscal year. In addition, as of July 1, 2024 for fiscal years 2025 and beyond, the JFO and the Agency of Administration are required to provide staff-recommended consensus revenue estimates for a payroll tax on Vermont wages and self-employment income to support child care in Vermont, and further, for fiscal years beginning July 1, 2024, federal funds are estimated for the current fiscal year. The Emergency Board, within ten days of receipt of such estimates, is required to determine an official revenue estimate for the current and next succeeding fiscal year.

The January 2024 Consensus Forecast was approved by the Emergency Board on January 18, 2024. The approved revenue estimates therein reflected a consensus forecast between the State Economists for the U.S. and Vermont economies, the major individual revenue components of each fund, and overall forecasted level of receipts "available for appropriation" for the General Fund (including health care revenues), the Transportation Fund, and for several major sources of revenues—other than State education property tax receipts[18]—for the Education Fund. The January 2024 Consensus Forecast is a current law forecast that includes all changes to date as enacted by the Vermont General Assembly as of the date of the forecast (see "STATE FUNDS AND REVENUES – State General Fund Revenues," "– State Transportation Fund Revenues," and "– State Education Fund Revenues"). The January 2024 Consensus Forecast also incorporated all relevant aspects of the State's latest short-term economic forecast developed as part of the consensus forecasting process between the State economists as of December 2023. When available, the consensus forecast has utilized the State economic forecast developed as part of the State's participation in NEEP. Prior to calendar year 2016, NEEP forecasts for the State had been developed and published semi-annually, but since then they have been developed and published only intermittently. Because of that reduced availability of the NEEP semi-annual economic forecasts for the State, the consensus macroeconomic forecasts used recently for the current consensus forecasting cycle have been developed cooperatively by the State economists using an on-line modeling capability provided by Moody's Analytics as jointly subscribed to by the JFO and the Administration. The online forecasting capability allows for timely, customized state forecasts with modeling capability similar to the former NEEP macroeconomic forecast update capability. The State macroeconomic forecast is a consensus short-term macroeconomic forecast for the variables listed above (see "STATE ECONOMY – Economic Activity – The Vermont Economic Outlook" and "– Economic Forecast – Summary Data").

The following discussion describes the level of current law revenues estimated under the January 2024 Consensus Forecast that are "Available to the General Fund" (including health care revenues), "Available to the Transportation Fund," and "Available to the Education Fund" to support appropriations in fiscal years 2024 and 2025. Such estimates reflect anticipated increases or decreases in collections in each revenue aggregate and among the various sources in each aggregate, the allocation of such collections between the General Fund, Transportation Fund, and the Education Fund pursuant to all relevant Acts passed by the Vermont General Assembly, the legacy effects of federal pandemic financial assistance funds, the significant amounts of federal infrastructure development funds (including those targeted toward expanding broadband access in Vermont and to expand so-called "green energy" options), and other federal funds (including flood-assistance dollars resulting from two recent flooding events during calendar year 2023, including the July 2023 Flooding flowing to the State from federal legislation, as well as all administrative actions taken by the State (e.g., to increase taxpayer compliance with recent consumption tax and recent corporate income tax changes).

The State continues to monitor revenues on a monthly basis, with special consideration given to developments potentially tied to the effects of the July 2023 Flooding and December 2023 Flooding, the recent warmer than usual winter tourism season, and the short-term boost to visitor activity tied to the April 2024 solar eclipse. The consensus revenue forecasts will be updated in July 2024, at which time additional analysis may result in further adjustments to the consensus revenue forecasts for the effects of the above-mentioned events as additional data and information become available and tied to any additional economic and other developments of significance to State revenues.

General Fund – Consensus Revenue Estimates

The following group of taxes and fees are those that are significant sources of revenue available for General Fund appropriations, provided that, as noted below, a statutory portion of Meals and Rooms Tax receipts (25%) is allocated to the Education Fund.

Personal Income Tax: The January 2024 Consensus Forecast for the Personal Income Tax for fiscal years 2024 and 2025 reflects a JFO-Administration consensus assessment for the likely path of the State's ongoing economic and labor market recoveries from the steep and fast pandemic-induced economic downturn. This updated consensus forecast for the State's largest General Fund tax source fully incorporates the effects of the increases in personal income from the direct and indirect effects of federal financial pandemic assistance and subsequent rounds of

[18] Which is typically completed during the months of June and December each year via a separate consensus forecasting process between the State economists.

federal funds allocations to the State from various pieces of federal legislation that have followed the end of the pandemic. The updated January 2024 Consensus Forecast also includes full consideration of the remaining but still considerable downside economic and revenue risks associated with the ongoing, tight federal monetary policy measures designed to bring down the rate of U.S. inflation. These inflation fighting policies continue to work in opposition to the increased federal spending trajectory that remains embedded within federal fiscal policy. The consensus economic forecast that underpins the January 2024 Consensus Revenue Forecast expects there will be a significant slowing in the pace of economic activity across the remaining fiscal year 2024 and fiscal year 2025 economic forecast update period even though recent readings on the U.S. economy suggest that economic activity remains resilient. The consensus economic forecast that underpins the January 2024 Consensus Forecast also expects that the economy will eventually slow enough to avoid a full-blown economic downturn, although interest rates will be higher for longer than was initially expected.

As a result of the complexities associated with the legacy effects of the pandemic and the likelihood of a significant period of historically high interest rate levels, it is expected that Personal Income Tax revenues will continue their adjustment into better alignment with the overall economy's underlying fundamentals and away from the largely temporary uptick in economic activity associated with the unprecedented levels of federal financial pandemic assistance. The January 2024 Consensus Forecast for the Personal Income Tax expects that this transition will continue to be gradual, as there still appear to be sufficient levels of previously accumulated household savings, additional dollars from recent increases in household wealth, and prior accumulated levels of unspent federal financial pandemic assistance, infrastructure development, and "green energy" development monies across the State and regional economy that will be used to maintain the somewhat elevated levels of economic activity through New England at least through the rest of fiscal year 2024 and into fiscal years 2025 and 2026. In addition, recent more favorable demographic trends (in the aftermath of the pandemic), greater levels of workplace acceptance of remote-hybrid working arrangements, and increased levels of immigration also are likely to offer some additional forward momentum in Personal Income Tax receipts activity as labor market conditions begin to loosen and return to a more normal status.

The January 2024 Consensus Forecast for the Personal Income Tax includes expected revenue receipts of \$1,140.9 million for fiscal year 2024, reflecting a 5.7% decline in receipts versus fiscal year 2023 receipts, despite a strong showing by Personal Income Withholding Tax receipts during fiscal year 2023, and \$1,134.7 million for fiscal year 2025, or a 0.5% decline compared to forecasted fiscal year 2024 Personal Income Tax receipts "Available to the General Fund." Relative to the July 2023 Consensus Forecast, the January 2024 Consensus Forecast represents a \$37.0 million, or 3.4%, increase in the consensus revenue forecast for the Personal Income Tax for fiscal year 2024. For fiscal year 2025, the January 2024 Consensus Forecast represents a \$3.0 million or 0.3% increase in the consensus revenue forecast for this component relative to the July 2023 Consensus Forecast.

<u>Corporate Income Tax</u>: The January 2024 Consensus Forecast for Corporate Income Tax receipts for fiscal year 2024 and fiscal year 2025 continues to reflect the previous strength of underlying Corporate Tax receipts in an elevated inflationary environment, which has recently contributed to higher corporate tax liabilities and State revenue receipts. This appears to have been the result of increased pricing power by corporations in general in the current higher inflationary environment—in contrast to the long recovery period following the "Great Recession." As a result, many corporations appear to have used these economic circumstances—even if somewhat temporary in nature—to increase margins and their resulting increased profitability, which have recently generated higher levels of State Corporate Income Tax revenues. That, in combination with the evolution of the State's Corporate Income Tax from a top-heavy distribution of a few hundred payers to a more diverse and evenly-distributed tax base involving thousands of payers of this major tax source for the General Fund, has recently resulted in record high levels of Corporate Income Tax receipts during fiscal year 2023.

As these higher-than-expected Corporate Income Tax receipts were received by the State, the JFO and the Administration conducted a more in-depth analysis of recent Corporate Income Tax payments in conjunction with the Vermont Department of Taxes staff. This analysis showed significant gains among those firms that have been long-time Corporate Income Taxpayers in Vermont and a significant amount of churning among corporate payers that at times come and go in the State's Corporate Income Tax base, usually with more coming into the State than leaving the State during the more positive years of receipts activity. The analysis also identified a change in payer profiles and corporate income tax liabilities that are likely to be attributable to the recently enacted State legislative change to a taxing regime tied to market-based sourcing taxation consistent with the taxing approach of many other states across the nation. In Vermont, under market-based sourcing, the distribution of State Corporate Income Taxpayers has become significantly less top-heavy, and the State's base of payers of the Corporate Income Tax has become more diversified to now include a significantly wider upper-middle segment of payers in the $100,000 to $2.0 million annual payments range. Despite significant levels of volatility in individual firm payments from year to year, there now appears to be more stability in the State's Corporate Income Tax payments as a result of the more recently diversified mix of payers in terms of both size and industry mix. This analysis also suggested that there may have been some compliance issues related to the State's new market-based source tax regime over the past several years as taxpayers became more familiar with the State's changes.

These developments and State tax changes suggest that the State's Corporate Income Tax collections base revenues currently have a significantly higher floor than has recently been the case. As a result, the January 2024 Consensus Forecast expects that Corporate Income Tax receipts will remain elevated compared to the post-Great Recession time period, and that this will be maintained over the upcoming forecast horizon. This is the case even though the January 2024 Consensus Forecast update booked a year-to-year level of Corporate Income Tax receipts that will decline by 14.2% between fiscal year 2023 and 2024 and by 5.1% between fiscal year 2024 and 2025 as inflation declines and the "cover" previously offered by rising rates of inflation recedes, making it more difficult for corporations and other businesses to increase prices and boost their margins and overall profitability.

Against that evolving economic backdrop for corporations, the January 2024 Consensus Forecast for fiscal year 2024 Corporate Tax revenues calls for a decline of $1.2 million (or 0.5%) in forecasted receipts versus the slightly stronger increase in Corporate Income Tax receipts that was expected in the July 2023 Consensus Forecast. For fiscal year 2025, the January 2024 Consensus Forecast anticipates that Corporate Tax receipts will be $2.1 million or 0.9% higher than what was expected in the July 2023 Consensus Forecast, with Corporate Income Tax receipts overall during fiscal year 2025 expected to decline by another 5.1% year-to-year as inflationary pressures continue to ease for a second straight fiscal year. Because of the significance of the changes discussed above in the State's Corporate Income Tax base, it is expected that additional in depth longitudinal analysis of this tax source and the characteristics of Corporate Income Tax payers will continue for the foreseeable future unless or until the State develops a more complete understanding of the evolution of the key drivers and factors influencing this important tax source for the State's General Fund.

Meals and Rooms Tax: The January 2024 Consensus Forecast reflects a post-pandemic return of travel and tourism to more normal levels of activity during the fiscal year 2024 through 2025 timeframe. Following the onset of the pandemic in early calendar year 2020, which contributed to a 10.1% year-over-year decline in Meals and Rooms Tax receipts, "Source" Meals and Rooms tax revenues in this sector declined by another 12.1% during fiscal year 2021, as pandemic response measures impacted the State's travel and tourism activity. As the public health measures eased and concern about becoming ill subsided, "Source" (or gross) Meals and Rooms Tax revenues rebounded by 50.8% in fiscal year 2022 and by another 9.6% during fiscal year 2023 as visitor activity and spending activity recovered strongly from the pandemic-depressed levels experienced during fiscal years 2020 and 2021. The January 2024 Consensus Forecast overall calls for a total of $239.4 million in "Source" or gross Meals and Rooms Tax revenues for fiscal year 2024 (which combine revenues from both the General Fund and Education Fund portions of these receipts), representing a 0.7% increase on a year-over-year basis from actual fiscal year 2023 "Source" Meals and Rooms Tax receipts of $237.7 million and a $2.5 million (or 1.0%) decline for fiscal year 2024 receipts versus the July 2023 Consensus Forecast. The January 2024 Consensus Forecast for fiscal year 2025 calls for a total of $245.8 million in "Source" Meals and Rooms Tax revenues, reflecting a 2.7% increase over fiscal year 2023 receipts but a $3.0 million or 1.2% decline in receipts relative to 2024 consensus expectations. For fiscal year 2025, the January 2024 Consensus Forecast for the Meals and Rooms Tax calls for a $3.0 million or 1.2% decline in "Source" Meals and Rooms Tax receipts for fiscal year 2025 relative to what was expected for fiscal year 2025 in the July 2023 Consensus Forecast.

The January 2024 Consensus Forecast for the General Fund portion of this tax source (at $165.2 million in fiscal year 2024 and $169.6 million in fiscal year 2025) and for the Education Fund portion of this tax source (at $59.9 million in fiscal year 2024 and $61.5 million in fiscal year 2025) fully reflects the allocation changes to affected tax sources as prescribed by Act 11 of 2018 and Act 96 of 2019. For the General Fund portion of the Meals and Rooms Tax, the updated January 2024 Consensus Forecast represents a $1.7 million or 1.0% reduction for fiscal year 2024 versus fiscal year 2024 consensus expectations in the July 2023 Consensus Forecast. Forecasted receipts for the General Fund portion of this tax source for fiscal year 2025 represented a $2.1 million or 1.2% decline versus consensus expectations in the July 2023 Consensus Forecast. For the Education Fund portion of the Meals and Rooms Tax, the January 2024 Consensus Forecast includes a \$0.6 million or 1.0% decline in consensus expectations for fiscal year 2024 versus the July 2023 Consensus Forecast, and a reduction of \$0.8 million or a 1.2% decline in receipts for fiscal year 2025 versus forecasted fiscal year 2025 receipt levels versus the July 2023 Consensus Forecast.

Other Taxes and Revenues "Available to the General Fund": This category of taxes, fees, and other revenues is comprised of revenue sources ranging from the State's tax on insurance premiums (including captive insurance companies, which established another new record for receipts in fiscal year 2023), the inheritance and estate tax, taxes levied on real estate transfers (which have been relatively upbeat in the current strong asset price growth environment of recent years), taxes on property or revenue receipts levied on telephone companies operating in Vermont, fines assessed by regulatory authorities and the judicial system, fees levied on financial product offerings (such as mutual funds) registered in Vermont, Net Interest earnings on State bank and other accounts, and other similar levies and revenue assessments. These tax levies and sources have historically mirrored changes in economic activity in Vermont, as adjusted for tax rate and fee level changes. The January 2024 Consensus Forecast for other revenue sources in this category reflects historical collections patterns, recent State changes in the inheritance and estate tax, the continuing evolution of changes in State real estate markets and the associated changes in real estate capital gains realizations, special factors and other circumstances that have been identified in consultation with contacts in various State departments and agencies responsible for receipts collection and monitoring of these sources, and exceptionally strong increases in Net Interest earnings by the State. Those relatively higher Net Interest revenues have been a reflection of the current elevated interest rate environment and the downstream effects of the unprecedented amount of federal funds that have been received by the State during and in the aftermath of the pandemic (see "RECENT GENERAL FUND, TRANSPORTATION FUND AND EDUCATION FUND OPERATING RESULTS – Cash Balances"). Even using conservative assumptions for interest rates and cash balances for the fiscal year 2024 and 2025 period, the State is likely to receive at least \$64.9 million in total Net Interest revenues during fiscal year 2024—a total that is significantly higher than even the record of more than \$51.2 million in Net Interest revenues the State received in fiscal year 2023. The January 2024 Consensus Forecast expects Net Interest revenues in the General Fund to start to decline after the current fiscal year on a year-over-year basis, starting with a consensus forecasted total of \$49.9 million in fiscal year 2025, a total of \$15.0 million or 23.1% below consensus expectations for fiscal year 2024. After fiscal year 2025, Net Interest revenues are expected to decline at a significantly faster pace as federal funds that remain in the spending pipeline are disbursed.

Beyond the above, the January 2024 Consensus Forecast also reflects the out-years effects related to the doubling in securities registration fees, which were effective starting in fiscal year 2017, and against a backdrop of continued high levels of sales of services revenue resulting from the leasing of vacant prison beds within the State to the U.S. Marshall Service. The updated consensus forecast also includes the Health Care Taxes and Revenues that resulted from Act 6 of 2019, which moved selected revenue sources from the State Health Care Resources Fund to the General Fund beginning in fiscal year 2019. As has been the case since July 1, 1998, the January 2024 Consensus Forecast for the General Fund does not include any revenues from lottery profits. The January 2024 Consensus Forecast is a current law forecast and includes all actions taken by the Vermont General Assembly through the 2023 session as they are understood as of January 18, 2024 (as the date of the Emergency Board's approval of the staff recommended January 2024 Consensus Revenue Forecast).

Transportation Fund – Consensus Revenue Estimates

For the Transportation Fund, the January 2024 Consensus Forecast includes specific consensus forecasts for each of the five major components of the fund, including the two State fuel taxes (the Gasoline Tax and the Diesel Tax) and the three other major Transportation Fund components: the Purchase and Use Tax (two-thirds of which is allocated to the Transportation Fund and one-third of which is allocated to the Education Fund per statute), Motor Vehicle Fees, and Other Fees. The January 2024 Consensus Forecast for the Purchase and Use Tax incorporates the expected number of vehicle sales (including vehicle leasing activity) within the State against the backdrop of the overall elevated level of interest rates—particularly those rates tied to vehicle sales and leasing activity—and an inflationary environment that has resulted in higher vehicle prices overall. New car sales, like many other personal luxury goods, have benefitted from the large personal income gains and asset price inflation that came with the federal fiscal pandemic relief-assistance funds supporting household consumption expenditures, and receipts will also benefit from the increase in the price cap for trucks that was included in the 2024 BAA to account for recent increases in the inflation rate. Recent sales and leasing activity for vehicles has been somewhat restrained by lack of available inventory attributable to supply-chain issues. Although the January 2024 Consensus Forecast expects that supply-chain inventory issues will continue to ease over time, vehicle sales and leasing activity are expected to continue to be somewhat hampered by lower-than-normal inventory levels throughout the fiscal year 2024 and 2025 consensus forecast update period.

The updated January 2024 Consensus Forecast also expects that gas prices in fiscal years 2024 and 2025 will follow their expected path and progress through the price-sensitive aspects of fuel tax revenues, such as the Motor Fuel Assessment portion of the Gas Tax and the Gas Tax TIB tax of those receipts during the forecast period. Transportation Fund receipts are also expected to reflect the effects of several statutory fee changes impacting the Transportation Fund revenue sources that took effect as of January 2024 (see "”STATE FUNDS AND REVENUES – State Transportation Fund Revenues"). As is the case with all mid-fiscal year effective dates for any fee change, first year impacts will reflect partial year fee and other revenue changes, with larger revenue increases expected for fiscal year 2025 (and beyond). The January 2024 Consensus Forecast update also expects that many of these changes will mostly offset what otherwise were declining fee revenues trends and will add significant revenues to the Motor Vehicles Fees and Other Fee Revenue categories along with comparatively smaller revenue increases in the Motor Vehicle Purchase and Use Tax category. It was also expected as of January 2024 that underlying weakness in many of these Transportation Fund revenue sources prior to the fee increases would dampen revenue receipts productivity and growth in many Transportation Fund revenue sources, resulting in lower-than-expected revenue gain calculations of those fee and tax changes.

Overall, the January 2024 Consensus Forecast represents a significant downgrade in the Transportation Fund's revenue receipts in fiscal year 2024 and fiscal year 2025 relative to the July 2023 Consensus Forecast, "Available to the Transportation Fund" receipts primarily due to the relative under-performance by the Motor Vehicle Fees and Motor Vehicle Purchase and Use Tax over the first half of fiscal year 2024 and the expected spill-over impact that reduced activity is expected to have on the above-mentioned legislative fee and other changes enacted during the 2023 legislative session. More specifically, the January 2024 Consensus Forecast for fiscal year 2024 includes a $5.1 million or 1.7% year-over-year decrease in aggregate Transportation Fund revenues to $299.4 million versus the July 2023 Consensus Forecast for fiscal year 2024 Transportation Fund revenues—including the partial year of fee and tax changes as enacted by the General Assembly that became effective on January 1, 2024. The January 2024 Consensus Forecast also calls for a $64.0 million or 2.0% consensus revenue forecast downgrade for fiscal year 2025, as compared to the July 2023 Consensus Forecast for fiscal year 2025 receipts "Available to the Transportation Fund."

Education Fund – Consensus Revenue Estimates

The taxes, fees, and transfers listed below reflect the major non-Property Tax sources revenue that are "Available to the Education Fund." As noted above, in addition to those revenue sources listed below, 25% of Meals and Rooms Tax receipts are allocated to the Education Fund.

Sales and Use Tax: The January 2024 Consensus Forecast for the Sales and Use Tax for fiscal year 2024 and fiscal year 2025 includes a consensus assessment of recent Sales and Use Tax collections activity and economic activity levels and underlying trends that have impacted and are expected to continue to impact revenues in this tax source. The forecast update includes a revised near-term outlook for economic conditions in the context of an expansionary U.S. fiscal policy posture and contractionary U.S. monetary policy posture. The January 2024 Consensus Forecast reflects continuing adjustments by the State's major consumption taxes supporting the Education Fund to post-pandemic consumption levels and characteristics, with Sales and Use tax revenues tracking well in fiscal year 2024. Overall, Sales and Use Tax receipts are expected to slow across the fiscal year 2024 and 2025 forecast period as consumption levels adjust to post-pandemic household savings declines and increasing debt burdens in an expected "higher for longer" interest rate environment where cumulative increases in prices from an extended period of higher inflation begins to slow post-pandemic consumption activity. The January 2024 Consensus Forecast expects that the year-to-year increases in Sales and Use Tax receipts for fiscal year 2024 and 2025 will trail the overall rate of inflation. However, there is no expectation that Sales and Use Tax receipts will experience an outright decline during the fiscal year 2024 through 2025 forecast update period. This is expected despite the post-pandemic shift away from goods (which are largely taxed under the State's Sales and Use Tax even if obtained through e-commerce sales channels) and back towards services consumption (only some of which are taxed under the State's Sales and Use Tax and other consumption tax sources). Since the beginning of fiscal year 2023, Sales and Use Tax receipts have included the sales tax collected on cannabis sales within the State.

As a result, the January 2024 Consensus Forecast expects total Sales and Use Tax revenues in fiscal year 2024 total $596.6 million, exceeding the July 2023 Consensus Forecast by $11.4 million or 1.9%. For fiscal year 2025, the January 2024 Consensus Forecast calls for a $0.8 million or 0.1% decrease in Sales and Use Tax revenues in comparison to the July 2023 Consensus Forecast. On a year-over-year change basis, the January 2024 Consensus Forecast for fiscal year 2024 includes a $12.6 million or 2.1% rate of growth above the $584.0 million actual for fiscal year 2023. The January 2024 Consensus Forecast also calls for another 1.7% year-over-year increase in Sales and Use Tax revenues for fiscal year 2025 to $606.9 million, as compared to forecasted fiscal year 2024 Sales and Use Tax receipts. That forecasted year-over-year rate of change for fiscal year 2025 as set forth in the January 2024 Consensus Forecast is expected to be slightly below anticipated rate of inflation for the period.

Other Taxes and Revenues Available to the Education Fund: This category of taxes, fees and other revenues is comprised of the statutorily-prescribed one-third of the motor vehicle Purchase and Use Tax, a transfer of net receipts after expenses from the State Lottery and net interest receipts from the Education Fund (see "STATE FUNDS AND REVENUES – State Education Fund Revenues"). The January 2024 Consensus Forecast for these revenues sources also includes consensus revenue expectations for fiscal year 2024 and fiscal year 2025 regarding motor vehicle sales (see the "REVENUE ESTIMATES – Transportation Fund – Consensus Revenue Estimates" above) and the statutory allocation percentage of the tax source's gross revenues to the Education Fund, net revenues derived from the profits realized by the activities of the State Lottery, and net interest earned on cash balances that are allocated by statute to the Education Fund as described above under "REVENUE ESTIMATES – General Fund – Consensus Revenue Estimates – Other Taxes and Revenues 'Available to the General Fund'".

Overall, the major consumption taxes supporting this component of the Education Fund finished fiscal year 2023 at levels that were very close to consensus expectations, where the Education Fund's portion of the Meals and Rooms Tax was roughly 2% above consensus expectations and Purchase and Use receipts about 3% below fiscal year 2023 consensus expectations. Like the Sales and Use Tax, much of the negative forecast variance for fiscal year 2023 arose during the April to June quarter, indicating that the negative effect on consumption by higher interest rates and the cumulative increase in the U.S. inflation rate may have begun to curtail demand in those consumption tax categories. The January 2024 Consensus Forecast expects that the downward pressure on consumption by interest rates and the cumulative effect of higher prices will grow larger throughout the rest of fiscal year 2024 and will continue into fiscal year 2025 and beyond, leading to slower rates of revenue growth over the forecast update period. Given the above-discussed consumption dynamics, along with the expected significant increase in Net Interest revenues, overall Education Fund receipts are expected to experience a restrained, but a still significantly positive, upward trajectory over the forecast period.

Consensus Revenue Estimate Summaries

The following table compares actual revenue collections for the major individual revenue components of the General Fund (i.e., the Personal Income Tax, the Corporate Income Tax, 69% of the Meals and Rooms Tax and certain Other Taxes and Revenues), the Transportation Fund (i.e., the Gasoline Tax, the Diesel Tax, two-thirds of the Purchase and Use Tax, Motor Vehicle Fees and Other Fees) and the Education Fund (i.e., the Sales and Use Tax, 25% of the Meals and Rooms Tax, one-third of the Purchase and Use Tax, the transfer from the State Lottery and Net Interest) for fiscal years 2022 and 2023, and the projected revenue collections for fiscal year 2024 and fiscal year 2025 as set forth in the January 2024 Consensus Forecast as approved by the Vermont Emergency Board on January 18, 2024. Commencing in fiscal year 2019, Health Care Taxes and Revenues are included in the "Available to the General Fund" totals per Act 6 of 2019, which moved selected revenue sources of the State Health Care Resources Fund to the "Available to the General Fund" totals. Revenues reflected below are reported on a "Schedule 2" receipts basis.

Revenues Available to the General Fund, Transportation Fund and Education Fund

Budgetary Based ($ in Millions)

Sources	Actual Fiscal 2022	Actual Fiscal 2023[1]	Forecast Fiscal 2024[1]	Forecast Fiscal 2025[1]	Percentage Change 2022–2023
Available to General Fund:					
Personal Income Taxes	$1,267,776,982	$1,209,971,181	$1,140,900,000	$1,134,700,000	(4.6)
Corporate Income Taxes	223,261,485	281,369,318	241,500,000	229,200,000	26.0
Meals and Rooms Taxes[2]	149,610,356	163,984,396	165,186,000	169,602,000	9.6
Other Taxes	136,740,826	149,694,305	144,650,000	145,481,000	9.5
Total Taxes	$1,777,389,649	$1,805,019,200	$1,692,146,000	$1,678,983,000	1.6
Healthcare Taxes-Assessments	292,985,005	314,336,113	322,024,000	332,017,000	7.3
Other Revenues	52,855,948	105,225,371	117,200,000	102,500,000	99.1
Total General Fund	$2,123,230,601	$2,224,580,683	$2,131,370,000	$2,113,500,000	4.8%
Available to Transportation Fund:					
Gasoline Taxes[3]	$71,894,789	$73,841,283	$71,400,000	$70,400,000	2.7
Diesel Taxes[3]	18,297,696	17,621,581	17,800,000	17,700,000	(3.7)
Purchase and Use Taxes[4]	91,386,971	94,778,202	94,467,000	98,267,000	3.7
Motor Vehicle Fees	85,957,718	87,507,712	92,800,000	103,800,000	1.8
Other Fees	20,309,554	21,390,923	22,900,000	25,500,000	5.3
Total Transportation Fund	$287,846,728	$295,139,681	$299,367,000	$315,667,000	2.5%
Available to Education Fund:					
Sales and Use Taxes	$545,181,979	$584,047,535	$596,600,000	$606,900,000	7.1
Meals and Rooms Taxes[2]	54,206,651	59,414,636	59,850,000	61,450,000	9.6
Purchase and Use Taxes[4]	45,693,485	47,389,101	47,233,000	49,133,000	3.7
Lottery Transfer	30,797,300	32,122,907	34,900,000	35,700,000	4.3
Net Interest	289,943	5,776,510	7,300,000	5,600,000	1,892.3
Total Education Fund	$676,169,359	$728,750,690	$745,883,000	$758,783,000	7.8%

[1] For fiscal years 2024 and 2025, forecasted totals reflect current law as of January 18, 2024 as approved by the Emergency Board. Actual fiscal year 2022 receipts and fiscal year 2023 receipts are on a "Schedule 2" cash basis.

[2] Per statute, 69% of the Meals and Rooms Tax is apportioned to the General Fund, 25% is apportioned to the Education Fund and 6% is apportioned to the Clean Water Fund.

[3] Excludes receipts dedicated to pay debt service on transportation infrastructure bonds (see "STATE INDEBTEDNESS – Transportation Infrastructure Bonds").

[4] Per statute, two-thirds of Purchase and Use Tax receipts are apportioned to the Transportation Fund and one-third of Purchase and Use Tax receipts are transferred to the Education Fund.

Source: Vermont Department of Finance and Management. Fiscal totals may not add due to rounding.

The following two tables reflect budgetary-based revenue history from fiscal years 2021 through 2023 and forecasted revenues for fiscal year 2024 and fiscal year 2025 for the General Fund, the Transportation Fund, and the Education Fund:

Revenues "Available to the General Fund"
Budgetary Based ($ in Millions)

COMPONENT	Actual 2021	Percent Change	Actual 2022	Percent Change	Actual 2023	Percent Change	Forecast 2024[1]	Percent Change	Forecast 2025[1]	Percent Change
AVAILABLE TO THE GENERAL FUND										
TAXES:										
Personal Income	$1,069.8	15.5%	$1,267.8	18.5%	$1,210.0	(4.6)%	$1,140.9	(5.7)%	$1,134.7	(0.5)%
Corporate	133.4	(9.8)	223.3	67.3	281.4	26.0	241.5	(14.2)	229.2	(5.1)
Meals and Rooms[2]	99.2	(14.5)	149.6	50.8	164.0	9.6	165.2	0.7	169.6	2.7
Liquor	4.8	32.8	5.0	5.0	5.1	2.1	5.2	1.3	5.3	1.9
Insurance	60.4	4.0	65.7	8.7	68.8	4.8	70.2	2.0	71.2	1.4
Total Telephone Tax	2.3	(28.8)	2.5	10.9	2.4	(5.7)	2.2	(7.3)	2.1	(4.5)
Beverage	7.2	1.3	7.0	(2.9)	7.3	3.1	7.1	(2.2)	7.2	1.4
Estate	23.4	54.1	14.0	(40.1)	18.6	33.1	22.4	20.2	23.1	3.1
Property Transfer	23.1	79.6	24.3	5.3	21.6	(11.2)	18.7	(13.5)	18.0	(3.6)
Bank Franchise	13.9	14.6	16.9	22.1	17.8	4.9	17.9	0.7	17.6	(1.7)
Cannabis Excise Tax	0.0	NM	0.0	NM	6.7	NM	0.0	(100.0)	0.0	NM
Other Taxes	0.7	74.6	1.3	91.3	1.4	11.7	0.9	(35.7)	1.0	11.1
TOTAL TAXES:	$1,438.1	10.4%	$1,777.4	23.6%	$1,805.1	1.6%	$1,692.1	(6.3)%	$1,679.0	(0.8)%
OTHER REVENUES:										
Business Licenses	$1.3	13.9%	$1.2	(4.4)%	$0.6	(54.5)%	$0.7	23.6%	$0.8	14.3%
Fees	42.7	(4.5)	42.2	(1.3)	45.6	8.1	44.1	(3.3)	44.2	0.2
Services	3.0	24.3	2.8	(7.7)	3.7	33.2	3.8	1.6	3.6	(5.3)
Fines, Forfeits	3.1	(35.6)	3.3	7.5	2.6	(21.1)	2.9	9.8	3.1	6.9
Interest, Premiums	0.8	(75.5)	2.3	187.4	51.2	2,128.9	64.9	26.9	49.9	(23.1)
Other	0.5	(34.4)	1.0	96.4	1.5	58.7	0.8	(47.6)	0.9	12.5
TOTAL OTHER	$51.5	(9.9)%	$52.9	2.6%	$105.2	99.1%	$117.2	11.4%	$102.5	(12.5)%
HEALTH CARE REVENUES[3]	$278.1	(1.0)%	$299.3	7.6%	$314.3	5.0%	$322.0	2.5%	$332.0	3.1%
TOTAL GENERAL FUND	$1,767.7	7.8%	$2,129.5	20.5%	$2,224.5	4.5%	$2,131.4	(4.2)%	$2,113.5	(0.8)%

NM means "Not Meaningful"
1 Based on the January 2024 Consensus Forecast. Represents a current law forecast through the actions of the 2023 session of the Vermont General Assembly.
2 Per statute, 69% of the Meals and Rooms Tax is apportioned to the General Fund, 25% is apportioned to the Education Fund and 6% is apportioned to the Clean Water Fund.
3 Health Care Taxes and Revenues are included in the "Available to the General Fund" totals per Act 6 of 2019, which moved selected sources of the State Health Care Resources Fund to the General Fund.
Source: Vermont Department of Finance and Management. Fiscal year totals may not add due to rounding. NM means Not Meaningful.

Revenues Available to the Transportation Fund and Education Fund
Budgetary Based ($ in Millions)

COMPONENT	Actual 2021	Percent Change	Actual 2022	Percent Change	Actual 2023	Percent Change	Forecast 2024[1]	Percent Change	Forecast 2025[1]	Percent Change
AVAILABLE TO THE TRANSPORTATION FUND[2]										
Gasoline Tax[2]	$67.3	(5.3)%	$71.9	6.9%	$73.8	2.7%	$71.4	(3.3)%	$70.4	(1.4)%
Diesel Tax[2]	17.9	0.2	18.3	2.0	17.6	(3.7)	17.80	1.0	17.7	(0.6)
Purchase and Use Tax[3]	84.9	27.2	91.4	2.3	94.8	3.7	94.5	(0.3)	98.3	4.0
Motor Vehicle Fees	87.6	4.7	86.0	(1.9)	87.5	1.8	92.8	6.0	103.8	11.9
Other Fees	20.5	(3.4)	20.3	(1.1)	21.4	5.3	22.9	7.1	25.5	11.4
TOTAL TRANSPORTATION FUND	$282.7	7.0%	$287.8	1.8%	$295.1	2.5%	$299.4	1.4%	$315.7	5.4%
AVAILABLE TO THE EDUCATION FUND										
Sales and Use Tax	$507.6	17.4%	$545.2	7.4%	$584.0	7.1%	$596.6	2.1%	$606.9	1.7%
Meals and Rooms Tax[4]	36.0	(12.1)	54.2	50.8	59.4	9.6	59.9	0.7	61.5	2.7
Purchase and Use Tax[3]	44.7	27.2	45.7	2.3	47.4	3.7	47.2	(0.3)	49.1	4.0
Lottery	32.5	21.2	30.8	(5.2)	32.1	4.3	34.9	8.6	35.7	2.3
Net Interest	0.1	(87.1)	0.3	169.1	5.8	1,892.3	7.3	26.4	5.6	(23.3)
TOTAL EDUCATION FUND	$620.9	15.8%	$676.2	8.9%	$728.8	7.8%	$745.9	2.4%	$758.8	1.7%
MEMO: "Source" Purchase and Use[5]	$134.1	27.2%	$137.1	2.3%	$142.2	3.7%	$141.7	(0.3)%	$147.4	4.0%
MEMO: "Source" Sales and Use[5]	$507.6	17.4%	$545.2	7.4%	$584.0	7.1%	$596.6	2.1%	$606.9	1.7%
MEMO: "Source" Meals and Rooms Tax[5]	$143.8	(12.1)%	$216.8	50.8%	$237.7	9.6%	$239.4	0.7%	$245.8	2.7%

1 Based on the January 2024 Consensus Forecast. Represents a current law forecast through the actions of the 2023 session of the Vermont General Assembly
2 Excludes receipts dedicated to pay debt service on transportation infrastructure bonds (see "STATE INDEBTEDNESS – Transportation Infrastructure Bonds").
3 Per statute, two-thirds of Purchase and Use Tax receipts are apportioned to the Transportation Fund and one-third of Purchase and Use Tax receipts are transferred to the Education Fund.
4 Per statute, 69% of the Meals and Rooms Tax is apportioned to the General Fund, 25% is apportioned to the Education Fund and 6% is apportioned to the Clean Water Fund.
5 The term "Source" reflects total revenues for that source regardless of allocations to any individual fund.

Source: Vermont Department of Finance and Management. Fiscal year totals may not add due to rounding.

MAJOR GOVERNMENTAL PROGRAMS AND SERVICES

Human Services

The Agency of Human Services ("AHS") comprises the following departments and offices:

Office of the Secretary: This Office includes the Office of Health Care Reform, Operations Unit, Fiscal Unit, Policy and Field Services. It also provides support for the Human Services Board, the Vermont Commission of National and Community Service, Refugee Resettlement and the Developmental Disabilities Council.

Department of Disabilities, Aging and Independent Living: This Department assists elderly Vermonters and adults with disabilities to live as independently as possible. It helps adults with disabilities to find and maintain meaningful employment. It licenses inpatient health care facilities and long-term care providers.

Department of Corrections: In partnership with Vermont communities, this Department serves and protects the public by offering a continuum of graduated sanctions for offenders to repair the damage their crimes have caused to victims and communities. The Department operates corrections facilities for incarcerated offenders and Community Correctional Service Centers for offenders convicted of lesser crimes. It also supports 64 Community Reparative Boards that develop sanctions and restorative plans in order for many nonviolent offenders to make amends for their crimes and return value to their communities.

Department of Health: This Department protects and promotes health and prevents disease and injury through public health programs to maintain and improve the health status of all Vermonters. Programs focus on infectious and chronic disease control and prevention (e.g., injury prevention, and healthy babies programs), surveillance (e.g., disease reporting), and protection (e.g., restaurant inspections).

Department of Mental Health: This Department promotes the health and well-being of Vermonters in coordination with community organizations, providing statewide mental health services for children, families, adults and the elderly. These services include psychiatry, case management, employment, crisis and residential care. In addition to the provision of inpatient services at the Vermont Psychiatric Care Hospital, the Department also works in collaboration with advocacy and consumer organizations to ensure that educational, support and peer-directed services occur statewide.

Department for Children and Families: This Department administers several programs that address the basic needs of Vermonters who are unable to provide for themselves and their dependents. These programs promote the well-being of families and individuals through welfare-to-work services, in-kind benefits and cash assistance. The Department also helps families and individuals lead healthy and independent lives by providing support services and offering educational, information, and prevention services to communities. Social services seek to break the cycle of abuse, neglect and delinquency. Child care services take a lead role in developing quality child care services in Vermont. The Division of Child Support enforces state and federal statutes to ensure that children receive financial support from absent parents and improves financial security for children by obtaining child support obligations and payments.

Department of Vermont Health Access: This Department promotes the well-being of families and individuals through the provision of health care coverage. The Department is responsible for the management of Medicaid, the State Children's Health Insurance Program, State-only funded programs, federal-only funded programs and Vermont Health Connect (VHC).

The sources of AHS's appropriations for fiscal years 2022, 2023 and 2024 are as follows:

	Fiscal Year 2022 Appropriations	Fiscal Year 2023 Appropriations	Current Law Fiscal Year 2024 Appropriations[1]
General Fund[2]	$1,049,369,316	$1,062,625,246	$1,248,691,176
Federal Funds[3]	1,639,401,397	1,840,687,694	1,813,490,658
Tobacco Settlement	23,088,208	23,088,208	23,306,208
Special Funds[4]	118,491,406	126,239,965	139,300,015
Other Funds	25,000	25,000	25,000
Total	$2,830,375,327	$3,052,666,113	$3,224,813,057

[1] Based on the consensus revenue forecast adopted by the Emergency Board on January 18, 2024, appropriations effective July 1, 2023 pursuant to Act 78 of 2023, and appropriations effective March 12, 2024 pursuant to the 2024 BAA.

[2] General Fund totals for fiscal year 2024 exclude an additional $47.8 million one-time appropriation made in Act 76 of 2023 to fund financial assistance for childcare programs.

[3] Federal Funds totals for fiscal year 2022 includes Coronavirus Relief funds; fiscal year 2024 includes State Fiscal Recovery funds.

[4] Special Funds includes State Health Care Resources Fund and other AHS special funds.

Medicaid and State Health Insurance Initiatives

In June 2022, AHS received approval from the federal government to continue Vermont's Global Commitment to Health ("Global Commitment") Medicaid 1115 Demonstration waiver. The approval is for a five-year term effective July 1, 2022 through December 31, 2027. Under the demonstration, AHS will continue the interagency agreement with the Department of Vermont Health Access (the "DVHA") to deliver services through a managed care-like model, subject to the requirements that would be applicable to a non-risk pre-paid inpatient health plan (PIHP).

Since 2005, Vermont has used the Global Commitment waiver to operate its Medicaid program under an innovative model developed to provide essential services for Vermont's most vulnerable populations, including people with disabilities, seniors and those with low incomes, and to ensure affordable health care coverage for children and middle-income Vermonters. These efforts have positioned Vermont as a national leader in state-based health care reform.

The current five and a half-year waiver term includes several key benefits to Medicaid participants:

- Medicaid coverage of essential services for Vermont's most vulnerable populations, including people with disabilities, seniors, and those with low incomes;
- Affordable health care coverage for children through the "Dr. Dynasaur" program;
- Premium assistance for low and middle-income Vermonters through the state-based health benefits exchange, Vermont Health Benefit Exchange (a.k.a. Vermont Health Connect (VHC)); and
- Payment and delivery system reform by ensuring Medicaid participation and alignment with the All-Payer Accountable Care Organization Model;
- Federal expenditure authority to make payments for institutions for mental diseases for the primary treatment of substance use disorders and serious mental illness;
- Comprehensive coverage for mental health and substance use disorder treatment and services for individuals above Medicaid income limits.

Under this current term, CMS made advantageous changes to Vermont's waiver budget neutrality construct in an effort to address rebasing concerns. Under this extension, Vermont has the authority to adjust budget neutrality per member per month to commensurate with provider rate increases that are legislatively appropriated.

State Health Care Reform

Overview

Federal health care reform enacted in the Patient Protection and Affordable Care Act ("ACA") has impacted Vermont's Medicaid program and Global Commitment waiver by shifting the source of coverage for many Vermonters. In 2011, the General Assembly passed Act 48 of 2011 ("Act 48"). Act 48 provided for the creation of (i) the Green Mountain Care Board ("GMCB") to address health care costs, and (ii) a state-based health benefits exchange, Vermont Health Benefit Exchange (a.k.a. Vermont Health Connect or VHC), in compliance with the ACA. The GMCB, together with the Agency of Human Services and the Office of the Governor negotiated a state/federal agreement with the Center for Medicare and Medicaid Innovation ("CMMI") to transform the health care system by changing the way health care is paid for and delivered across all payers, including Medicare. Vermont's agreement requires 70% of Vermont residents to be attributed to a fee-for-service, value-based alternative payment model by 2022. Vermont's health care reform efforts support an integrated delivery system across the care continuum.

Green Mountain Care Board

The GMCB was created by the Vermont General Assembly in 2011 under Act 48. It is an independent group of five Vermonters who, with their staff, are charged with ensuring that changes in the health system improve quality while stabilizing costs. The General Assembly assigned the GMCB three main responsibilities as they pertain to healthcare in Vermont: regulation, innovation, and evaluation. The GMCB regulates not only health insurance rates, but also hospital budgets and major hospital expenditures. The Board also innovates, testing new ways to pay for and deliver health care as part of its role in transforming the system. A key example of this duty is the GMCB's role in regulating and assessing the progress of Vermont's All-Payer Accountable Care Organization Model (see "Other Federal Health Care Initiatives" below).

Vermont Health Connect (VHC)

The creation of a state-based health benefits exchange, such as Vermont Health Connect ("VHC"), is a requirement of the ACA. Act 48 authorized VHC and provides a framework for its goals, functions and governance structure. VHC was established as a division of the DVHA to build on existing State healthcare infrastructure and avoid duplication of expense. VHC is an online marketplace through which Vermonters can access, compare and select health plans; and it is also the vehicle through which Vermonters can access federal tax credits and cost sharing reductions available through the ACA and State premium and cost sharing reductions provided for by the State. VHC was implemented for calendar year 2014 enrollment.

As of June 2023, more than 222,000 Vermonters (approximately one-third of the population) were enrolled in coverage through VHC (Qualified Health Plans and Medicaid for Children and Adults) either through the marketplace or directly through an insurance carrier. Of those, 94% qualify for either Medicaid or financial help to lower the cost of coverage. The State has attained the second-lowest uninsured rate in the nation according to the National Center for Health Statistics, and the lowest uninsured rate for children according to the State Health Access Data Assistance Center. As of the 2021 Vermont Household Health Insurance Survey, Vermont's uninsurance rate is only 3.1%.

While the State received certain federal funding and grants to help design, develop and implement the VHC, it is now solely responsible for funding the ongoing operations and maintenance of the VHC. The State funds such costs through a combination of State appropriations and Medicaid funds. For fiscal year 2023, total VHC maintenance and operating costs were $32.1 million. Of this, $11.2 million was appropriated by the General Assembly from State funds and $20.9 million was funded through federal Medicaid. In the fiscal year 2024 budget, $55.5 million is budgeted for VHC operations and maintenance. Of this amount, $19.9 million was appropriated by the General Assembly from State funds and $35.6 million was funded through federal Medicaid.

The State previously covered many individuals through Medicaid, Catamount Health and Medicaid expansion programs under Global Commitment. As of January 1, 2014, these individuals with incomes above 133% of the federal poverty level (FPL) accessed coverage through VHC. The ACA provided federal premium tax credits and cost-sharing subsidies to low and middle-income individuals enrolled in VHC beginning in fiscal year 2014. In addition, to maintain the State's current affordability standards, the State offers additional financial assistance to Vermonters enrolled via VHC with incomes below 300% of the FPL to ensure that premiums are affordable and to Vermonters enrolled via VHC with incomes below 250% FPL to ensure affordable deductibles and out-of-pocket maximums. The cost of this additional financial assistance for fiscal year 2023 was $5.3 million, of which $2.9 million was financed from General Fund revenues.

Other Federal Health Care Initiatives

The administration and the GMCB are working collaboratively with the CMMI to implement a multi-payer fee-for-service alternative payment model. In October 2016, Vermont signed an All-Payer Model (APM) agreement with CMS to support continued transition to value-based payments. In the model, the federal government allows Vermont to waive certain Medicare payment and quality rules in order to harmonize State-level payment and quality rules across all payers: Medicare, Medicaid and commercial insurance. The Vermont All-Payer Accountable Care Organization ("ACO") Model builds on existing multi-payer payment models to better support and promote a more integrated system of care and a sustainable rate of overall health care cost growth in Vermont. Value-based payments that shift risk to health care providers and that are aligned across all payers encourage collaboration across the care continuum and can result in better health outcomes for Vermonters. Vermont Medicaid and OneCare Vermont signed a contract to launch the Vermont Next Generation (VMNG) ACO program for calendar year 2017, and has since extended that contract in 2018, and successively thereafter through 2024. In 2023, 142,410 Vermont Medicaid members are attributed to the program, representing 85% of full benefit, non-dual Medicaid members as of January 1, 2023. The program payment model is aligned with Next Generation Payment Model 4 and includes the following items: upside and downside risk for the ACO, quality measures aligned with the APM agreement and a portion of payment contingent on quality. From a budget standpoint, the majority of the DVHA's full-benefit non-dual Medicaid members are now attributed to a fixed-price payment model, providing more predictability to both the State and healthcare providers.

The State cannot predict at this time the impact that any federal health care reform plan, if passed, might have on the State and its programs.

Aid to Municipalities

Significant portions of Vermont's budget are used to support the State's cities, towns and school districts. Total Education Fund appropriated expenditures were $1.96 billion in fiscal year 2023 and $2.13 billion in fiscal year 2024. The largest Education Fund use (generally around 80% of total Education Fund appropriations) is the education payment, which represents the aggregated cost of all school districts' education spending. The remainder goes towards categorical aid, State-level operating and administrative costs, and one-time initiatives.

General Funds in the amount of $17.8 million in fiscal year 2023 and $18.6 million in fiscal year 2024 were distributed to towns to reimburse taxes reduced for land conservation and management programs. Of these amounts, $2.2 million and $2.3 million were provided to towns, in fiscal years 2023 and 2024, respectively, to reimburse forgone municipal tax revenues from State-owned parcels managed by the Agency of Natural Resources. Additionally, the State contributed $189.8 million in fiscal year 2023 and $199.0 million in fiscal year 2024 in General Funds to the State Teachers' Retirement System.

For fiscal year 2023, $81.2 million was appropriated to municipal highway programs (excluding appropriations for Federal Highway Administration ("FHWA") Emergency Relief to town highways and FEMA Public Assistance Grants[19]), funded with $49.6 million in State funds, $4.3 million in State clean water funds, and $27.3 million in federal funds (excluding an additional $1.2 million for federal disaster assistance).

For fiscal year 2024, $89.4 million was appropriated to municipal highway programs (excluding appropriations for FHWA Emergency Relief to town highways and FEMA Public Assistance Grants), funded with $54.8 million in State funds, $4.3 million in State clean water funds, and $34.7 million in federal funds (excluding an additional $1.2 million for federal disaster assistance).

[19] These appropriations included disaster funding for federally-declared disasters, mostly for town highways but also for town public buildings, schools and non-profits. These appropriations are excluded because it is the State's usual practice not to appropriate disaster aid.

	Fiscal Year 2022 Appropriations	Fiscal Year 2023 Appropriations	Current Law Fiscal Year 2024 Appropriations[1]
State Aid to Local School Districts	$1,502,051,000	$1,577,649,173	$1,711,148,481
Special Education Aid to Local Districts	229,000,000	208,073,400	229,821,806
Vermont State Teachers' Retirement System Contributions[2]	189,646,629	188,073,782	193,811,051
Town Highway Grants	69,059,085	53,956,625	54,735,261
Total	$1,989,756,714	$2,027,752,980	$2,189,516,599

[1] Based on the consensus revenue forecast adopted by the Emergency Board on January 18, 2024, appropriations effective July 1, 2023 pursuant to Act 78 of 2023, and appropriations effective March 12, 2024 pursuant to the 2024 BAA.
[2] Fiscal year 2024 amount includes an additional $9 million contribution beyond the actuarially determined employer contribution per the 2024 BAA. See "PENSION PLANS – Recent Action Affecting the Unfunded Liabilities."

Additionally, the State provides local direct tax support to individual taxpayers through the following programs:

	Fiscal Year 2022 Appropriations	Fiscal Year 2023 Appropriations	Current Law Fiscal Year 2024 Appropriations[1]
Property Tax Assistance	$18,600,000	$16,500,000	$16,250,000
Land Use Reimbursement	17,824,193	17,800,000	18,600,000
Total	$36,424,193	$34,300,000	$34,850,000

[1] Based on the consensus revenue forecast adopted by the Emergency Board on January 18, 2024, appropriations effective July 1, 2023 pursuant to Act 78 of 2023, and appropriations effective March 12, 2024 pursuant to the 2024 BAA.

Higher Education

The State provides assistance for programs of higher education through a higher education system that includes three major components. These include direct appropriations to the University of Vermont ("UVM") and the Vermont State College System ("VSCS") and support through direct financial aid grants to students by the Vermont Student Assistance Corporation ("VSAC"), which also receives an annual appropriation.

	Fiscal Year 2022 Appropriations	Fiscal Year 2023 Appropriations	Current Law Fiscal Year 2024 Appropriations*
University of Vermont	$46,709,094	$55,009,093	$57,084,366
Vermont State College System	90,058,239	61,945,239	68,574,612
Vermont Student Assistance Corporation	25,911,038	$25,711,038	28,311,038
Total	$162,678,371	$142,665,370	$153,970,016

* Based on the consensus revenue forecast adopted by the Emergency Board on January 18, 2024 and appropriations effective July 1, 2023 pursuant to Act 78 of 2023, and appropriations effective March 12, 2024 pursuant to the 2024 BAA.

The availability of federal COVID relief funds enabled significant one-time investments at UVM, VSCS, and VSAC. As a result, total appropriations for higher education have fluctuated while base funding has increased more modestly. As the COVID-19 pandemic response winds down, federal funding allocated through the CRF received by UVM, VSCS and VSAC will decline, although base appropriations remain higher than pre-pandemic levels for all three entities.

VSCS, in particular, has seen large base and one-time investments tied to the system's ongoing transformation efforts. In response to ongoing conversations about financial stability at VSCS and a unanimous vote by the VSCS Board of Trustees to consolidate three of the four VSCS institutions—Northern Vermont University, Vermont Technical College, and Castleton University—to one school with multiple campuses under one academic accreditation for the 2023-2024 academic year, the fiscal year 2022 budget bill charged VSCS with "[transforming] itself into a fully integrated system that achieves financial stability in a responsible and sustainable way" in order to meet a number of strategic priorities under the broad categories of affordability, accessibility, and relevance. VSCS was also charged with reducing its structural deficit by $5 million annually for a total reduction of $25 million by the end of fiscal year 2026, and annually reporting on the results of these reductions to the House and Senate Committees on Education and on Appropriations.

To support this work, the fiscal year 2022 budget bill included an appropriation of $20 million ARP Coronavirus State Fiscal Recovery Funds for the purpose of system transformation over the next four years, with $8 million of those funds intended for spending in fiscal year 2022 (the full $20 million appropriation is reflected in fiscal year 2022 in the summary above). The fiscal year 2023 budget bill continued to invest in VSCS by increasing the system's base funding to $45.5 million and investing a further $14.9 million in ARP bridge funding for ongoing system transformation. In the fiscal year 2024 budget as passed, the VSCS base appropriation will reach the $48 million target outlined in the VSCS's initial transformation plan, and the system will receive an additional $9 million in bridge funding from a combination of General Fund and ARP funds.

General Fund Appropriations by Major Function

The following table shows a breakdown of General Fund appropriations by major function for fiscal year 2020 to fiscal year 2024.

General Fund Appropriations by Major Function

	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Current Law Fiscal Year 2024[1]
General Government	$92,266,436	$95,126,355	$99,277,912	$104,811,247	$118,585,063
Protection to Persons and Property	164,710,860	152,439,889	171,360,524	186,956,814	210,449,656
Human Services	960,370,523	970,495,760	1,056,891,225	1,071,972,923	1,262,543,832
Education	251,100,702	258,476,856	425,517,982	325,026,947	344,114,376
Labor	4,569,407	4,898,964	5,394,154	10,449,258	10,600,636
Natural Resources	29,608,969	32,202,460	31,693,115	34,954,725	38,429,690
Commerce and Community Development	16,529,933	16,411,166	17,489,457	18,279,159	21,222,221
Other – One-time	11,737,301	136,514,503	452,798,648	268,714,484	403,278,459
Debt Service[2]	76,413,324	75,828,995	72,953,869	76,375,109	675,000
Total Appropriations	$1,607,307,455	$1,742,394,948	$2,333,376,886	$2,097,540,666	$2,409,898,933

[1] Based on the consensus revenue forecast adopted by the Emergency Board on January 18, 2024, appropriations effective July 1, 2023 pursuant to Act 78 of 2023, and appropriations effective March 12, 2024 pursuant to the 2024 BAA.

[2] The decrease in the Debt Service line item from fiscal year 2023 to fiscal year 2024 was the result of a technical adjustment made in fiscal year 2024, which replaced the General Fund Debt Service appropriation with a General Fund transfer to the General Obligation Bonds Debt Service Fund. See "Fiscal Year 2024 Budget and Budget Adjustment."

Clean Water Initiatives

In 2016, the U.S. Environmental Protection Agency ("EPA") finalized a pollution budget, also referred to as a "total maximum daily load" ("TMDL"), for Lake Champlain, a large freshwater lake that borders the northern and western part of Vermont, to address water quality concerns including periodic harmful algal blooms. The 2016 Vermont Lake Champlain Phosphorus TMDL document, which pertains to the Vermont segments of Lake Champlain, identifies phosphorus pollution reductions required to meet State of Vermont water quality standards. The TMDL includes an Accountability Framework with milestones the State is required to meet by certain dates to provide reasonable assurances that the TMDL's phosphorus reduction targets can be achieved. The EPA periodically evaluates Vermont's progress implementing the TMDL and issues report cards.

The first phase of milestones, referred to as Phase 1, focused on the establishment of new funding and regulatory/permit programs and the establishment of a long-term Clean Water Fund as a revenue source to support the successful and full implementation of the TMDL. Act 76 of 2019 expanded Clean Water Fund revenues to meet the long-term funding need by reallocating 6% of Meals and Rooms Tax revenue to the Clean Water Fund, in addition to existing revenues from the Property Transfer Tax Clean Water Surcharge and escheats from unreturned bottle deposits. These Clean Water Fund revenues combined with roughly $10-12 million per year from the State's Capital Bill make up the State's Clean Water Budget.

EPA determined in September 2020 the State had successfully completed all Phase 1 milestones, including the establishment of a long-term clean water funding source. Annual Clean Water Fund revenue and capital bill allocations to the Clean Water Budget are summarized below for the last three State fiscal years and the upcoming State fiscal year.

State Fiscal Year	Clean Water Fund Revenue	Capital Bill Allocation
2021	$20.2 million (actual)	$13.9 million (appropriated)
2022	$28.7 million (actual)	$10.5 million (appropriated)
2023	$28.5 million (actual)	$6.7 million (appropriated)
2024	$25.6 million (projected)	$9.9 million (appropriated)
2025	$25.5 million (projected)	$6.0 million (anticipated)

Vermont also benefits from federal appropriations that support clean water initiatives. These are summarized annually in a Federal Funds Report, which can be found on the Clean Water initiative Program's "Reports" webpage (https://dec.vermont.gov/water-investment/cwi/reports#Legislative%20Reports[20]). In addition, the Governor and General Assembly directed a total of $30 million of federal ARP funds to boost implementation of clean water initiatives between fiscal years 2022 and 2024.

The Lake Champlain cleanup is a decades-long endeavor. Vermont's approach to TMDL implementation breaks down this long-term and regional effort into more manageable five-year planning increments at the local river-basin scale through its "Tactical Basin Planning" process. Tactical Basin Plans target priority, cost-effective actions necessary to meet phosphorus reduction goals. The EPA assesses Vermont's progress implementing the TMDL half-way through and at the close of each five-year planning cycle and issues interim and final report cards to ensure accountability.

To support EPA's review, as well as provide accountability for the State's clean water investments, the State publishes the Vermont Clean Water Initiative Annual Performance Report. The EPA has consistently found that the State is making satisfactory progress implementing the TMDL. The State's progress reports and EPA-issued report cards are available on the Vermont Department of Environmental Conservation's Restoring Lake Champlain webpage (https://dec.vermont.gov/watershed/restoring/champlain[32]). The most recent Performance Report, published January 2023 covering investments and results through June 30, 2023, estimates that state, federal, and regulatory clean water programs have reduced more than 91,000 pounds (41.5 metric tons) of phosphorus loading delivered to Lake Champlain, which represents approximately 20 percent of the modeled reductions required for Lake Champlain to meet water quality standards.

[20] References to the State's Clean Water initiative Program's "Reports" webpage and the Vermont Department of Environmental Conservation's Restoring Lake Champlain webpage are for informational purposes only the hyperlink is provided solely for the reader's convenience. These websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for any purpose, including for purposes of Rule 15c2-12 promulgated by the SEC, and the State may elect to discontinue posting such information and updates on these websites at any time in its sole discretion.

Climate Change Initiatives

Act 153 of 2020, the Global Warming Solutions Act (the “GWSA”), established an aggressive timeframe and scope of work to accelerate climate action in Vermont. The first objective was the development of the Vermont Climate Action Plan (the “Plan”), which was created by the Vermont Climate Council, with support from State staff, and adopted on December 1, 2021. The Plan includes a menu of initiatives, programs, and strategies necessary to achieve the greenhouse gas (“GHG”) emission reduction requirements established in the GWSA, enhance carbon storage and sequestration, achieve net zero emissions by 2050, and enhance the resilience of natural systems and the built environment.

The policies, programs and tools needed to implement climate mitigation, adaptation, and resilience strategies will require a long-term intergovernmental structure to coordinate and manage this statewide effort. The Vermont Office of Climate Action (“CAO”) was established in the fiscal year 2023 budget in the Agency of Natural Resources (“ANR”). The CAO helps coordinate and provide added capacity for State-led climate initiatives, as well as serving a leading role in monitoring, assessing and tracking of climate adaptation, mitigation, and resilience activities necessary to evaluate progress over time in achieving the carbon emissions requirements of the GWSA . To carry out this work, the CAO works closely with staff across ANR, other State agencies, the State climatologist, and key stakeholders.

To further enhance coordination across state Agencies, an Inter-Agency Advisory Board (“IAAB”) has been established that includes the State climatologist as well as representatives from the following agencies/departments: Public Service, Transportation, Emergency Management, Agriculture, Human Services, Commerce, and Building and General Service. The objectives of the IAAB are to:

- Provide a space for proactive coordination on climate action across state government.
- Articulate where policy and financial implications overlap around climate action to ensure resources are maximized.
- Support the monitoring of progress over time in meeting the State’s climate goals and requirements.
- Identify and frame up gaps where the CAO might prioritize support.
- Develop State positions on issues related to climate change.

To accelerate climate action efforts, between fiscal year 2022 and fiscal year 2023, the Governor and General Assembly directed a total of more than $250 million of federal ARP funds to initiatives identified in the Climate Action Plan, including weatherization, residential electrical service upgrades, electric vehicle incentives and charging infrastructure, and buy-outs of flood prone properties. In addition, Vermont has submitted two applications to the EPA’s Climate Pollution Reduction Grant program. The State received a $3 million award in late 2023 that is being used to support continued development and implementation of priority climate actions, along with the first update of the Climate Action Plan required by the GWSA by July 1, 2024. The second application was submitted in March 2024 and seeks nearly $100 million in funding to support implementation of 15 specific climate action priorities, including expanded electric vehicle incentives, expanded low- and moderate-income weatherization programming, and land conservation to support carbon sequestration.

On April 27, 2023, the General Assembly passed Act 18 of 2023, which was delivered to the Governor on April 28, 2023. The bill (known as the Affordable Heat Act or the Clean Heat Standard), directs the Vermont Public Utilities Commission to adopt rules through a modified public rulemaking process and issue orders to implement and enforce a clean heat standard program designed to meet the State’s carbon emission reduction requirements. The Commission’s regulatory structure would create “clean heat credits,” a tradeable commodity that represents a unit of greenhouse gas reduction attributable to a “clean heat measure.” Clean heat measures may include weatherization, heat pumps, electric water heaters, reduced carbon-intensity fuels, and more. Under the proposed system, certain heating fuel suppliers (known as “obligated parties”) would be required to obtain clean heat credits by delivering clean heat measures that reduce the lifecycle emissions attributable to their customers’ heating of homes and buildings. Obligated parties would be required to retire a certain number of clean heat credits every year by paying a “default delivery agent” to deliver clean heat services on their behalf, purchasing credits on the market, or installing clean heat measures themselves; such parties would be required to pay a penalty if they fail to retire the required number of credits. On or before January 15, 2025, the Commission must submit its final proposed rules for this proposed regulatory structure to the General Assembly for approval.

Citing concerns with the unknown risks to Vermonters and the State's economy as well as the confusion around the bill's language and the process for implementation of the clean heat standard program, coupled with the State's existing strategic approach for reducing emissions, the Governor vetoed the bill. The General Assembly overrode the Governor's veto on May 11, 2023.

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GOVERNMENTAL FUNDS OPERATIONS

The following table sets forth the total revenues, expenditures and changes in total fund balances for all governmental fund types of the State for fiscal year 2019 through fiscal year 2023 presented on a GAAP basis.

STATE OF VERMONT
All Governmental Fund Types
Comparative Statement of Revenues, Expenditures and
Changes in Fund Balances
(modified accrual basis of accounting)
($ in thousands)

	2019	2020	2021	2022	2023
REVENUES:					
Taxes……	$ 3,382,075	$ 3,353,706	$ 3,842,366	$ 4,221,309	$ 4,280,228
Fees……	162,247	150,451	173,625	180,601	190,812
Sales of services, rents and leases……	20,243	18,260	21,260	22,483	26,044
Federal grants……	2,006,409	2,273,261	3,604,985	3,343,133	3,470,446
Fines, forfeits and penalties……	21,523	22,222	10,477	11,217	15,145
Investment income/(loss)……	15,035	12,564	8,767	(1,956)	82,005
Licenses……	132,480	132,805	141,567	141,135	144,028
Special assessments……	27,801	28,887	31,501	37,474	51,134
Other revenues……	100,701	99,610	108,172	110,076	120,121
Total revenues……	**5,868,514**	**6,091,766**	**7,942,720**	**8,065,472**	**8,379,963**
EXPENDITURES:					
General government……	135,736	116,546	426,554	417,868	262,757
Protection to persons and property……	314,506	360,312	495,725	604,256	584,801
Human services……	2,495,910	2,645,660	3,003,129	3,060,424	3,372,314
Employment and training……	32,913	46,285	123,029	41,130	40,085
General education……	2,071,627	2,152,797	2,350,924	2,581,146	2,644,891
Natural resources……	131,654	140,545	144,304	145,209	166,906
Commerce and community development……	33,934	31,927	261,066	206,951	174,280
Transportation……	534,343	565,414	584,587	619,430	729,165
Capital outlay……	83,947	58,938	44,440	53,022	104,210
Debt service……	78,097	80,496	80,646	96,122	85,912
Total expenditures……	**5,912,667**	**6,198,920**	**7,514,404**	**7,825,558**	**8,165,321**
Excess of revenues over (under) expenditures……	**(44,153)**	**(107,154)**	**428,316**	**239,914**	**214,642**
Other financing sources (uses):					
Bonds and refunding bonds proceeds……	0	127,780	153,325	0	0
Transfers from Lottery……	29,179	27,523	31,889	31,136	33,564
Net operating transfers in (out)……	1,238	18,024	22,520	1,668	19,320
Other sources (uses)……	0	(27,461)	(52,739)	646	35,192
Total other financing sources (uses)...	**30,417**	**145,866**	**154,995**	**33,450**	**88,076**
Net change in fund balances……	**(13,736)**	**38,712**	**583,311**	**273,364**	**302,718**
Fund Balance, July 1, restated[1]……	1,070,238	1,056,502	1,095,214	1,678,525	1,951,889
Fund Balance, June 30……	**$ 1,056,502**	**$ 1,095,214**	**$ 1,678,525**	**$ 1,951,889**	**$ 2,254,607**

[1] The July 1, 2018 fund balances was restated for a change in a fund reporting category. (2019 Comprehensive Annual Financial Report, Note V.G)

STATE INDEBTEDNESS

State Indebtedness and Procedure for Authorization

The State has no constitutional or other limit on its power to issue obligations or incur indebtedness besides borrowing only for public purposes. In 1989, the Institutions Committees of the House and Senate recommended the creation of a Capital Debt Affordability Advisory Committee responsible for overseeing long-term capital planning for the State. The Committee was created by the 1990 General Assembly. See “Capital Debt Affordability Advisory Committee” herein. Bonds authorized for a given fiscal year may, at the discretion of the State Treasurer with the approval of the Governor, be issued in the fiscal year, or in the months of May or June preceding such fiscal year, or in subsequent fiscal years.

The State Constitution does not contain provisions requiring submission of the question of incurring indebtedness to a public referendum. The authorization and issuance of State debt, including the purpose, amount and nature thereof, the method and the manner of the incurrence of such debt, the maturity and terms of repayment thereof, and other related matters are statutory. The State’s public improvement bonds and the State’s transportation and highway bonds are paid respectively from the State’s General Fund and Transportation Fund.

Pursuant to various appropriation acts, the State has authorized and issued general obligation bonds for a variety of projects or purposes. Each appropriation act usually specifies projects or purposes and the amount of General Fund or Transportation Fund bonds to be issued, and provides that General Fund or Transportation Fund bonds shall be issued in accordance with the Debts and Claims provisions of the General Obligation Bond Law.

Pursuant to the Refunding Bond Act, the State has authorized the issuance of general obligation bonds to refund all or any portion of one or more issues of outstanding general obligation bonds. Most provisions of the General Obligation Bond Law apply to the issuance of such refunding bonds.

In general, the State has borrowed money by issuing general obligation bonds, commercial paper and notes for the payment of which the full faith and credit of the State are pledged. The State has also borrowed money to finance qualifying transportation capital projects by issuing transportation infrastructure bonds, the payment of which is not secured by the full faith and credit of the State. See “Transportation Infrastructure Bonds” hereinafter. The State also has established certain statewide authorities that have the power to issue revenue bonds and to incur, under certain circumstances, indebtedness for which the State has contingent or limited liability. See “Contingent Liabilities” and “Reserve Fund Commitments” hereinafter.

There are no State constitutional provisions limiting the power of the General Assembly to impose any taxes on property or income in order to pay debt service on general obligation indebtedness. There are also no constitutional provisions limiting the power of the General Assembly to enact liens on or pledges of State revenues or taxes, or the establishment of priorities, for payment of such debt service. There are no express statutory provisions establishing any priorities in favor of holders of general obligation indebtedness over other valid claims against the State.

The General Assembly has established by statute various general requirements for the issuance of general obligation notes or bonds. The State Treasurer, with notification to the Governor, may issue notes or other similar obligations including commercial paper in order to raise funds to pay the expenses of government for which appropriations have been made but for which anticipated revenues have not been received, to defray accumulated State deficits, and in anticipation of bonds. The State Treasurer, with the approval of the Governor, is authorized to issue and sell bonds that mature not later than twenty years after the date of such bonds and, except for zero coupon bonds or capital appreciation bonds, such bonds must be payable in substantially equal or diminishing amounts annually. Under the General Obligation Bond Law, except with respect to refunding bonds, the first of such annual payments is to be made not later than five years after the date of the bonds. All terms of the bonds shall be determined by the State Treasurer with the approval of the Governor as he or she may deem for the best interests of the State.

In 2001, the General Assembly added statutory provisions that require any entity that pays a majority of its operating expense in any fiscal year with money appropriated by the State to notify and obtain the approval of the State Treasurer and Governor prior to incurring any debt including, but not limited to, debt incurred through the issuance of bonds, notes, bank loans, mortgages, lease-purchase contracts and capital leases. In 2002, the General Assembly amended this provision to exclude municipalities from the approval requirement, to establish a borrowing threshold of $1 million before approval is required and to clarify that the amounts deemed appropriated do not include non-discretionary federal funds.

The State Treasurer is directed by the General Obligation Bond Law to pay the interest or investment return on and principal or maturity value of bonds when due “without further order or authority” and to pay the interest on and principal of notes, and expenses of preparing, issuing and marketing of such notes when due “without further order or authority.” To the extent not otherwise provided, the amount necessary each year to pay the maturing principal or maturity value of and interest or investment return on bonds is required by statute to be included in and made a part of the annual appropriation bill for the expense of State government, and such principal or maturity value of and interest or investment return on bonds as may come due before appropriations for the payment thereof have been made is to be paid from the General Fund or from the Transportation Fund.

The doctrine of sovereign immunity (the sovereign right of a state not to be sued without its consent) applies to the State. The provisions of the General Obligation Bond Law above recited do not constitute express consent by the State to be sued by a bondholder or a noteholder, although such consent might be so construed by force of necessary implication. The provision referred to above contained in the General Obligation Bond Law appears, however, to impose a legal duty on the State Treasurer to pay principal of and interest on the Bonds and on other bonds and notes when due, either from the General Fund or from the Transportation Fund or from amounts appropriated therefor by the General Assembly.

Under the General Obligation Bond Law, the State Treasurer has an explicit statutory duty to pay principal or maturity value of and interest or investment return on the Bonds and to seek appropriations therefore if amounts in the General Fund or Transportation Fund are insufficient. In the event of failure by the State to make such payment when due, it would appear that a Bondholder may sue the State Treasurer to compel such payment from any moneys available. Under this principle, sovereign immunity would not bar a suit to compel the disbursement of State moneys when a State law imposes a duty to pay.

The State has never defaulted on the punctual payment of principal of or interest on any general obligation indebtedness and has never attempted to prevent or delay such required payments.

Debt Statement

The following table sets forth, as of June 30, 2023, the outstanding general obligation indebtedness of the State, Contingent Liabilities and Reserve Fund Commitments of the State. This table does <u>not</u> reflect the impact of the issuance of the State’s 2023 Series A and 2023 Series B Bonds on September 7, 2023. See “Fiscal Year 2024 Debt Issuance” below.

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State of Vermont
Debt Statement
as of June 30, 2023
($ in thousands)

General Obligation Bonds	
General Fund [1]	$526,195
Transportation Fund	1,560
VHFA Property Transfer Tax Bonds:	
Property Transfer Tax Bonds, Series 2018	$28,775
Leases:	
Various Leases	$77,205
Reserve Fund Commitments [2]:	
Vermont Bond Bank	$574,487
Vermont Housing Finance Agency	155,000
VEDA Indebtedness	181,000
Vermont Student Assistance Corporation	50,000
Vermont Telecommunications Authority [3]	40,000
Univ. of Vermont/State Colleges	100,000
Gross Direct and Contingent Debt	**$1,734,222**
Less:	
Reserve Fund Commitments	(1,100,487)
Net Tax-Supported Debt	**$633,735**

1 Includes the Refunded Bonds. Per Act 185 of 2022, as amended by Act 78 of 2023, the General Assembly appropriated $20 million to the State Treasurer's Office to be used to redeem State general obligation bonds prior to maturity. The State has not yet determined which general obligation bonds it shall redeem pursuant to this appropriation, or the timing for such redemption, and may defease bonds from time to time with available funds.

2 Figures reflect the maximum amount permitted by statute. However, many of the issuers have not issued debt or have not issued the maximum amount of debt permitted by their respective statutes. See "Contingent Liabilities" and "Reserve Fund Commitments" herein for additional information.

3 The General Assembly dissolved the VTA in 2014 however, this amount remains available to the VTA by statute should it ever be reconstituted.

Selected Debt Statistics[1]

The following table sets forth, as of June 30, 2023, select debt statistics of the State. The statistics below do not reflect the impact of the issuance of the State's 2023 Series A and 2023 Series B Bonds on September 7, 2023. See "Fiscal Year 2024 Debt Issuance" below.

	2019	2020	2021	2022	2023
Outstanding General Fund, Transportation Fund and Special Fund General Obligation Bonds ($ in thousands) [2]	$584,050	$612,995	$629,710	$579,000	$527,755
Population [3]	643,660	642,936	647,093	647,110	647,464
Debt Per Capita	$907	$953	$973	$895	$815
Personal Income ($ in millions by fiscal year) [4]	$34,047	$36,252	$38,632	$39,599	$41,123
Debt as a Percent of Personal Income	1.8%	1.7%	1.6%	1.5%	1.3%
General Fund, Transportation Fund and Special Fund Debt Service ($ in thousands) [2,5]	$75,593	$77,824	$76,875	$73,475	$73,559
General Fund, Transportation Fund and Special Fund Cash Revenues ($ in thousands) [6]	$1,622,099	$1,724,397	$2,235,579	$2,411,077	$2,519,720
Total Debt Service as a Percent of Total General Fund Transportation Fund and Special Fund Revenues	4.7%	4.5%	3.4%	3.0%	2.9%

Percentage Of Debt To Be Retired (as of June 30, 2023)	Special Fund	General Fund	Transportation Fund	Total General Obligation Debt
5 years	100.0%	44.9%	83.3%	45.0%
10 years	100.0	78.8	100.0	78.8
15 years	100.0	96.7	100.0	96.7
20 years	100.0	100.0	100.0	100.0

1 General obligation bond principal debt only, excludes notes, lease/purchase obligations, as well as contingent liabilities and reserve fund commitments, on a budgetary basis; also excludes the State's 2023 Series A and 2023 Series B Bonds issued on September 7, 2023. Statistics reflect certain revised and preliminary data for 2019 through 2023.

2 Excludes general obligation bonds that have been refunded.

3 Reflects the Legislative Joint Fiscal Office-Administration consensus estimate and forecast of the State's residential population as of the first quarter of the calendar year indicated. All estimates for residential population data are subject to further revision.

4 Personal income is in nominal dollars on a fiscal year basis and is preliminary for fiscal year 2023. All personal income data are subject to further revision.

5 Includes gross debt service on the State's outstanding Build America Bonds, a portion of which debt service is payable from Federal ARRA receipts.

6 Includes Special Fund Revenues and Federal ARRA receipts dedicated to debt service payments.

Sources: Annual Report of the Commissioner of Finance; U.S. Department of Commerce, Bureau of Economic Analysis; Office of the State Treasurer; and other sources as noted below.

Capital Debt Affordability Advisory Committee

The Capital Debt Affordability Advisory Committee was created by the 1990 Vermont General Assembly to estimate annually the maximum amount of new long-term general obligation debt that prudently may be authorized by the State for the next fiscal year. The Committee's estimate is required by law to be based on a number of considerations, historic and projected, including debt service requirements, debt service as a percent of total General and Transportation Fund revenues, outstanding debt as a percent of personal income, and per capita debt ratios. The Committee is comprised of eight members, four of whom are ex-officio State officials, two of whom are appointed by the Governor from the private sector for a two-year term, and one of whom is appointed by the Treasurer from the private sector for a six-year term, and the last of whom is the legislative economist or other designee of the JFO. Two of the members (the legislative economist and the Auditor of Accounts are nonvoting members. The Committee was directed by law to issue a report by September 30 of each calendar year. The amount of general obligation debt authorized by the Vermont General Assembly in recent years has never exceeded the Committee's recommended levels.

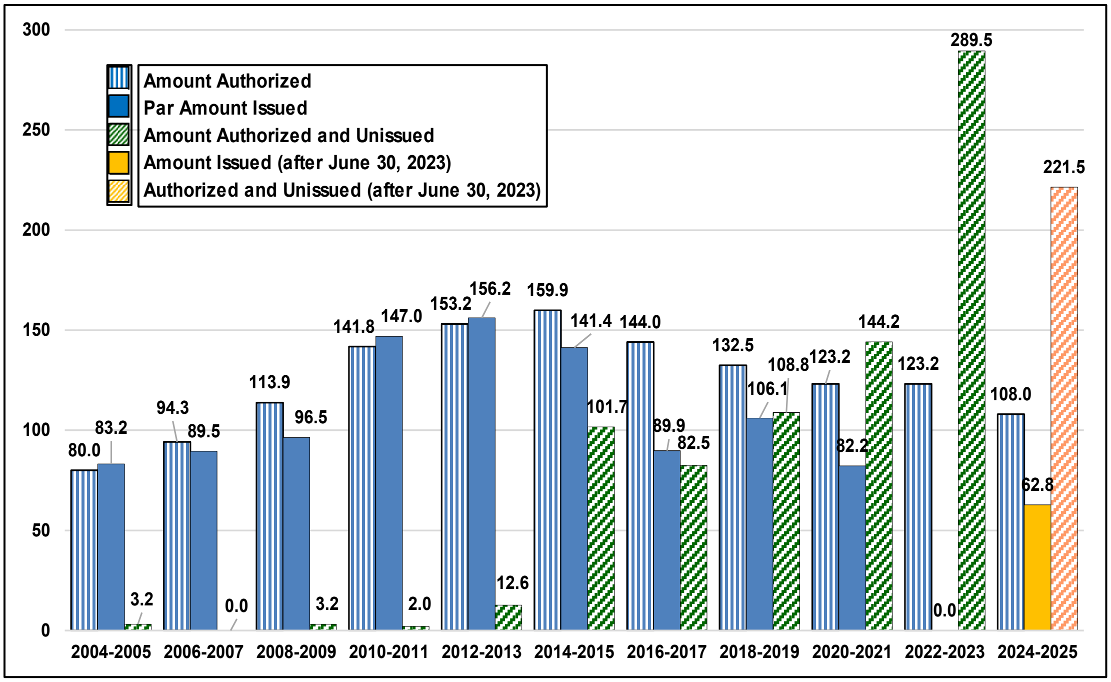
While historically the Committee's report provided a recommendation for the amount of new long-term general obligation debt that may be authorized by the State for the following fiscal year, starting with fiscal year 2012, the Committee now submits a two-year debt authorization to the General Assembly. The two-year authorization was developed in an effort to more closely align with the State's biennial legislative session, and was driven by near-term considerations such as (i) historically low interest rates and (ii) the need to get certain large-scale capital projects underway, as well as long-term considerations such as the desire for (a) increased coordination between construction and the debt authorization process and (b) the ability to pursue large-scale projects on a multi-year debt authorization basis.

At its October 2022 meeting, the Committee recommended a two-year debt authorization of $108.00 million in general obligation bonds for fiscal years 2024 and 2025, reflecting a $15.18 million decrease from the previous biennium recommendation of $123.18 million. Consistent with the Committee's recommendation, the General Assembly authorized the two-year debt authorization of $108.00 million, plus $14.77 million in transfers and reallocations from prior years, for total authority of $122.77 million for the purposes of funding appropriations for fiscal years 2024 and 2025 (consisting of not more than $56.52 million in fiscal year 2024 and $66.25 million in fiscal year 2025). The Committee affirmed their recommendation in September 2023.

In September 2023, $62.77 million of new money debt was issued, producing $67.92 million in proceeds available for capital projects within the State. See "Fiscal Year 2024 Debt Issuance" below. The bonds issued in September 2023 were issued at a premium in the amount of $5.25 million. Accordingly, pursuant to the 2024 Capital Bill Adjustment Act, the General Assembly increased the total authorization for fiscal years 2024 and 2025 to $130.61 million, which also includes a revised transfers and reallocations amount of $17.36 million. In total, $221.5 million remains available for issuance in fiscal year 2024 and subsequent fiscal years.

The following chart presents the amounts of general obligation debt that have been authorized and issued by the State since fiscal year 2006 on a biennium basis.

Historical General Obligation Bonds Authorized and Issued by Biennium
(in millions of dollars)



Notes:

- *Annual issuances do not include refunding bonds. Authorized but unissued debt has been carried forward and employed in subsequent years' bond issuances.*
- *Pursuant to Section 34 of Act 104 of 2011, commencing in fiscal year 2013, premium received from the sale of bonds may be applied towards the purposes for which such bonds were authorized. The amount issued reflected above, however, does not include net premium received that was or is expected to be made available for capital purposes.*
- *The "Authorized" amounts reflects the two-year authorized amount of the General Assembly. This amount excludes any amounts authorized that relate to (i) the principal amount of bonds authorized in prior biennial capital bills but not issued due to the use of original issue bond premium to fund capital projects and (ii) transfers and reallocations from prior years.*

Debt Service Requirements

Set forth below is a schedule of the principal and interest requirements of all general obligation bonds of the State outstanding on June 30, 2023, exclusive of bonds that were refunded in advance of their scheduled maturities. This schedule does not reflect the issuance of the Bonds, nor does it reflect the impact of the issuance of the State's 2023 Series A and 2023 Series B Bonds on September 7, 2023. See "Fiscal Year 2024 Debt Issuance" below.

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STATE OF VERMONT
Debt Service on General Obligation Bonds
as of June 30, 2023

GENERAL FUND

Fiscal Year	Principal	Interest	Total	End of Fiscal Year Debt Outstanding
2024	$49,425,000	$19,950,076	$69,375,076	$476,770,000
2025	49,470,000	17,798,018	67,268,018	427,300,000
2026	47,555,000	15,676,394	63,231,394	379,745,000
2027	45,890,000	13,650,644	59,540,644	333,855,000
2028	43,705,000	11,739,063	55,444,063	290,150,000
2029	41,690,000	9,951,638	51,641,638	248,460,000
2030	39,650,000	8,282,988	47,932,988	208,810,000
2031	36,520,000	6,697,169	43,217,169	172,290,000
2032	30,250,000	5,393,519	35,643,519	142,040,000
2033	30,250,000	4,248,869	34,498,869	111,790,000
2034	25,595,000	3,222,706	28,817,706	86,195,000
2035	22,205,000	2,344,475	24,549,475	63,990,000
2036	18,530,000	1,642,891	20,172,891	45,460,000
2037	14,040,000	1,102,406	15,142,406	31,420,000
2038	14,035,000	661,850	14,696,850	17,385,000
2039	8,735,000	348,550	9,083,550	8,650,000
2040	4,325,000	129,750	4,454,750	4,325,000
2041	4,325,000	43,250	4,368,250	-

TRANSPORTATION FUND

Fiscal Year	Principal	Interest	Total	End of Fiscal Year Debt Outstanding
2024	$260,000	$67,405	$327,405	$1,300,000
2025	260,000	56,745	316,745	1,040,000
2026	260,000	45,825	305,825	780,000
2027	260,000	34,775	294,775	520,000
2028	260,000	23,400	283,400	260,000
2029	260,000	11,700	271,700	-

Fiscal Year 2024 Debt Issuance

On September 7, 2023, the State issued $62,765,000 General Obligation Bonds, 2023 Series A (the "Series 2023A Bonds") and $27,285,000 General Obligation Bonds, 2023 Series B (Vermont Citizen Bonds) (the "Series 2023B Bonds," and together with the Series 2023A Bonds, the "Series 2023 Bonds"). The Series A Bonds funded approximately $67.2 million of capital projects. The Series B Bonds refunded portions of the State's 2012 Series E, 2012 Series F, 2013 Series A, and 2013 Series B general obligation bonds, which generated approximately $1.29 million of savings.

Set forth below is a schedule of the principal and interest requirements of all general obligation bonds of the State outstanding on May 1, 2024 (including the Series 2023 Bonds), exclusive of bonds that were refunded in advance of their scheduled maturities.

STATE OF VERMONT
Debt Service on General Obligation Bonds
as of May 1, 2024

GENERAL FUND

Fiscal Year	Principal	Interest	Total	End of Fiscal Year Debt Outstanding
2025	$52,325,000	$20,887,880	$73,212,880	$484,640,000
2026	50,545,000	18,598,106	69,143,106	434,095,000
2027	48,875,000	16,419,931	65,294,931	385,220,000
2028	46,495,000	14,343,731	60,838,731	338,725,000
2029	44,500,000	12,375,925	56,875,925	294,225,000
2030	42,490,000	10,527,388	53,017,388	251,735,000
2031	39,380,000	8,765,169	48,145,169	212,355,000
2032	33,130,000	7,284,119	40,414,119	179,225,000
2033	33,150,000	5,961,069	39,111,069	146,075,000
2034	28,515,000	4,755,506	33,270,506	117,560,000
2035	25,345,000	3,708,825	29,053,825	92,215,000
2036	21,670,000	2,850,241	24,520,241	70,545,000
2037	17,180,000	2,152,756	19,332,756	53,365,000
2038	17,170,000	1,555,325	18,725,325	36,195,000
2039	11,870,000	1,085,275	12,955,275	24,325,000
2040	7,460,000	709,725	8,169,725	16,865,000
2041	7,460,000	481,250	7,942,150	9,405,000
2042	3,135,000	313,500	3,448,500	6,270,000
2043	3,135,000	188,100	3,323,100	3,135,000
2044	3,135,000	62,700	3,197,700	-

TRANSPORTATION FUND

Fiscal Year	Principal	Interest	Total	End of Fiscal Year Debt Outstanding
2025	$260,000	$56,745	$316,745	$1,040,000
2026	260,000	45,825	305,825	780,000
2027	260,000	34,775	294,775	520,000
2028	260,000	23,400	283,400	260,000
2029	260,000	11,700	271,700	-

Short-Term Debt

The Treasurer is authorized to borrow on the credit of the State through the issuance of notes and tax-exempt commercial paper (1) to pay expenses of government for which appropriations have been made but for which anticipated revenues have not been received, (2) for the purpose of defraying accumulated State deficits, (3) in anticipation of the receipt of State bond proceeds and (4) for paying costs of issuance of such obligations. In addition, the Treasurer is authorized to enter into credit or liquidity facilities with respect to such obligations.

The State Treasurer may with the approval of the Governor borrow from any fund including restricted funds to defray State Government expenses. Such borrowing may be made twice per year: first from fifteen days preceding to fifteen days following the State's fiscal year end of June 30, and second from December 10 (or earlier if December 10 shall occur on a Friday or Saturday) to January 10 of the subsequent calendar year. Legislation was passed in April 2020 that expanded interfund borrowing to 45 days before and after the fiscal year ended June 30, 2020, but this one-time authorization has since sunset (as of August 15, 2020).

The State has not had any revenue anticipation borrowings outstanding at any date during each of the five most recent fiscal years. Since 1998, the State has met its short-term borrowing needs using revenue anticipation notes only, which notes have been paid in full and on time. The State has not had any draws on its line of credit or short-term borrowings since fiscal year 2004.

Total Authorized Unissued Debt

As of June 30, 2023, the State had $289.5 million of authorized unissued debt from prior year capital bills. The State currently has $221.5 million of authorized unissued debt (after the issuance of the State's 2023 Series A and 2023 Series B Bonds on September 7, 2023). Following the issuance of the Bonds, the State expects to have $150.7 million of authorized unissued debt.

Notwithstanding any provision of law, under Section 954 of Title 32 the State Treasurer with the approval of the Secretary of Administration is authorized to transfer unspent proceeds derived from the sale of State bonds or notes previously issued for additional projects authorized by the General Assembly; and the State Treasurer is further authorized to issue bonds or notes of the State to replenish such transferred funds for application to the original capital projects.

Reserve Fund Commitments

Vermont Bond Bank: The Vermont Bond Bank (the "Bond Bank") was established by the State in 1970 for the purpose of aiding governmental units in the financing of their public improvements. The Bond Bank is authorized to make loans, including from the issuance of bonds, to counties, municipalities or other public bodies of the State, including public school districts (the "Governmental Units") in the State through the direct purchase by the Bond Bank from such Governmental Units of their bonds, notes or evidences of debt constituting either general obligations of the Governmental Units or obligations or financing arrangements of the Governmental Units payable solely from revenues derived from the financed asset, enterprise funds, or other specified revenues and the earnings thereon. Municipal loan repayments to the Bond Bank are used to make the Bond Bank's bond payments. On April 19, 2016, the State amended provisions with respect to the State Treasurer's ability to intercept State funding to governmental units that are in default on their payment obligations acquired or held by the Bond Bank. During the default period, the State Treasurer will make direct payment of all, or as much as is necessary, of the withheld amounts to the Bond Bank, or at the Bond Bank's direction, to the trustee or paying agent for the bonds, so as to cure, or cure insofar as possible, the default as to the bond or the interest on the bond. The Bond Bank consists of five directors: the State Treasurer, who is a director ex-officio, and four directors appointed by the Governor with the advice and consent of the Senate for terms of two years.

As of June 30, 2023, the Bond Bank has issued 81 series of bonds (including refundings) under its general bond resolution adopted on May 3, 1988 (the "1988 Resolution") to provide loans to local municipal borrowers. The principal amount of bonds outstanding as of June 30, 2023 under the 1988 Resolution was $574,847,000 and the principal amount of loans outstanding to municipal borrowers as of June 30, 2023 was $545,553,232. The Bond Bank issued three additional series of bonds after June 30, 2023 under the 1988 Resolution, in the aggregate principal amount of $66,061,380, of which $20,010,000 was issued to refund certain outstanding bonds under the

1988 Resolution. Accordingly, as of the date of this Official Statement, the Bond Bank has issued 84 series of bonds (including refundings) under the 1988 Resolution, in the aggregate principal amount of $612,491,000, and the principal amount of loans outstanding to municipal borrowers as of the date of this Official Statement is $591,275,178. For bonds issued under the 1988 Resolution, the Bond Bank is required to maintain a reserve fund equal to the lesser of: the maximum annual debt service requirement, 125% of average annual debt service, or 10% of the proceeds of any series of bonds. If the reserve funds have less than the required amount, the chair shall notify the Governor or Governor-elect of the deficiency. The General Assembly is legally authorized, but not legally obligated, to appropriate money to maintain the reserve funds at their required levels (referred to herein as the State's "moral obligation"). Since the participating municipalities have always met their obligations on their bonds the State has never needed to appropriate any money to the reserve fund. Based on the long history of the Bond Bank program, the rating agencies credit assessment of the underlying loans of the portfolio, the general obligation pledge of the underlying borrowers for a high percentage of the loan amounts and the State intercept provision for the payment of debt, it is not anticipated that it will be necessary for the State to appropriate money for the reserve fund in the future.

As of June 30, 2023, the Bond Bank has also issued two series of bonds under a general bond resolution adopted on March 30, 2017 (the "2017 Resolution") for the Vermont State Colleges System ("VSCS") Program. The 2017 Resolution is for VSCS financings only. As of June 30, 2023, the principal amount of bonds outstanding under the 2017 Resolution was $86,480,000. The 2017 Resolution bonds are not supported by a reserve fund, but do benefit from the State intercept. The State Treasurer, the Bond Bank and the Commissioner of the Vermont Department of Finance and Management entered into a State Intercept Memorandum of Agreement to establish procedures with respect to the intercept of State funds described above in regard to the VSCS outstanding bonds.

On August 11, 2022, the Bond Bank issued the first series of bonds that included consent for changes to the 1988 Resolution through the purchase of new bonds. Once effective upon receipt of requisite consents, the proposed modifications will create two new categories of 1988 Resolution bonds called "Community Revenue Bonds" and "Enhanced Community Revenue Bonds". Bonds issued prior to the effective date of the modifications will be called the Legacy Bonds and will no longer be issued once the modifications are effective. Community Revenue Bonds will continue to benefit from the State intercept but will not include a debt service reserve fund and, therefore, will have no ability to access the State's moral obligation. Enhanced Community Revenue Bonds, on the other hand, will benefit from the State intercept and a debt service reserve fund, and accordingly will have access to the State's moral obligation. The priority of debt service payments on the 1988 Resolution bonds will be: first, the Legacy Bonds, then the Community Revenue Bonds, and then the Enhanced Community Revenue Bonds. The net impact of this structure may be a reduction in the Bond Bank's use of the State's moral obligation. The proposed modifications will become effective when 66.67% of holders consent to the changes. As of June 30, 2023, approximately 10.6% of the owners of the General Resolution Bonds consented to the proposed modifications.

For additional information about the Bond Bank, see its most recent disclosure document, which can be found on the Electronic Municipal Market Access ("EMMA") system at http://emma.msrb.org.

Vermont Housing Finance Agency: The Vermont Housing Finance Agency ("VHFA") was created by the State in 1974 for the purpose of promoting the expansion of the supply of funds available for mortgages on residential housing and to encourage an adequate supply of safe and decent housing at reasonable costs. The VHFA Board consists of nine commissioners, including ex-officio the Commissioner of the Department of Financial Regulation, the State Treasurer, the Secretary of Commerce and Community Development, the Executive Director of the Vermont Housing and Conservation Board, or their designees, and five commissioners to be appointed by the Governor with the advice and consent of the Senate for terms of four years. The VHFA is empowered to issue notes and bonds to fulfill its corporate purposes. As of June 30, 2023, the VHFA's total outstanding indebtedness was $395,336,001.

The VHFA's act requires the creation of debt service reserve funds for each issue of bonds or notes based on the VHFA's resolutions and in an amount not to exceed the "maximum debt service." Of the debt that the VHFA may issue, up to $155,000,000 of principal outstanding may be backed by the moral obligation of the State, which means that the General Assembly is legally authorized, but not legally obligated, to appropriate money for any shortfalls in the debt service reserve funds for that debt. If the reserve fund requirement for this debt has less than the required amount, under the act, the chairman of the VHFA will notify the Governor or the Governor-elect, the president of the senate and the speaker of the house of the deficiency. As of June 30, 2023, the principal amount of outstanding debt covered by this moral obligation was $66,199,617. As of June 30, 2023, the debt service reserve fund requirement for this debt was $4,190,093, and the value of the debt service reserve fund was $5,054,053. Since the VHFA's creation, it has not been necessary for the State to appropriate money to maintain this debt service reserve fund requirement. For additional information about the VHFA, see its most recent disclosure document, which can be found on the EMMA system at http://emma.msrb.org.

In January 2018, the VHFA issued $37,825,000 of federally taxable Vermont Property Transfer Tax Revenue Bonds, the proceeds of which will be used to fund the creation and improvement of rental and owner-occupied housing for low to moderate income residents. These bonds are special, limited obligation bonds of the VHFA, secured by a pledge of property transfer tax revenues collected by the State. The first $2,500,000 of property transfer tax revenues collected annually are required to be transferred to the VHFA for payment of principal and interest on the bonds until they are retired.

Vermont Economic Development Authority: The Vermont Economic Development Authority ("VEDA" or the "Authority") was established in 1974 as a body corporate and politic and a public instrumentality of the State. The Authority is governed by a 15-member board comprised of the State Treasurer, the Secretary of the Agency of Commerce and Community Development, the Secretary of Agriculture, Food and Markets, the Commissioner of Forests, Parks and Recreation, the Commissioner of Public Service and ten persons appointed by the Governor with the advice and consent of the Senate.

The Authority has established credit facilities with two banks to fund loans to local and regional development corporations and to businesses under certain programs. The Authority's debt is a combination of commercial paper and variable and fixed-rate notes payable. The commercial paper is supported by two direct-pay letters of credit totaling $90 million from one of the banks. The direct-pay letters of credit are collateralized from various repayment sources, including an $8 million collateral reserve fund held by a trustee and a debt service reserve fund pledge from the State in an amount of $80 million. The Authority has two variable-rate and two fixed-rate notes payable from a second bank totaling $113 million. The notes are collateralized from various repayment sources, including a $9.4 million collateral reserve fund held by a trustee and a debt service reserve fund pledge from the State in an amount of $75 million. The debt service reserve pledges, totaling $175 million are based on a similar structure utilized by both the Bond Bank and the VHFA as discussed above. The amount of commercial paper outstanding under this program at June 30, 2023 was $88.0 million, which is in addition to the variable and fixed-rate note payable balances outstanding at June 30, 2023 of $113 million. Act 79 of 2019, increased the Authority's debt capacity using the State's moral obligation from $175 million to $181 million, effective July 1, 2019. For additional information about the Authority, see its most recent disclosure document, which can be found on the EMMA system at http://emma.msrb.org.

University of Vermont/VSCS: Pursuant to Act 200 of 2008, the University of Vermont and State Agricultural College ("UVM") and the VSCS are each permitted to create and establish, by resolution, one or more debt service reserve funds to secure in whole or in part one or more issues of bonds or notes. The debt service reserve fund requirement shall be an amount not to exceed the "maximum debt service" on the bonds or notes to be secured by such debt service reserve fund. Up to $66,000,000 principal amount of UVM debt and up to $34,000,000 principal amount of VSCS debt may be backed by the moral obligation of the State, which means that the General Assembly is legally authorized but not legally obligated to appropriate money for any shortfalls in the debt service reserve funds for this debt. For each institution, if the reserve fund requirement for this debt has less than the required amount, the chair of the board of trustees will notify the governor, the president of the senate, and the speaker of the house of the deficiency. No bonds have been issued to date. If bonds are issued, it is not expected that the State will need to appropriate money to the respective reserve funds for these purposes. For additional information about UVM and VSCS, see their most recent disclosure documents, which can be found on the EMMA system at http://emma.msrb.org.

VSAC: VSAC was created by the State in 1965 for the purpose of providing opportunities for Vermont residents to attend college or other postsecondary education institutions by awarding grants; guaranteeing, making, financing and servicing loans of funds to students who qualify; and to provide career, educational and financial aid counseling and information services to the same. With the approval of the governor, VSAC is empowered to borrow money and issue notes and bonds to fulfill its corporate purposes. As of June 30, 2023, VSAC's total outstanding indebtedness was approximately $356.0 million, of which $50 million is secured by a debt service reserve fund pledge that is permitted under the legislation enacted into law as 16 V.S.A. § 2867 on March 31, 2009 (the "VSAC Moral Obligation Statute"), described below. The bonds secured by the moral obligation were paid off in December 2021.

Under the VSAC Moral Obligation Statute, VSAC is permitted to create and establish, by resolution, (i) one or more debt service reserve funds to secure in whole or in part one or more issues of bonds or notes, and/or (ii) one or more pledged equity funds to provide pledged equity or over-collateralization of any trust estate of VSAC to the issuer of a liquidity or credit facility, bond insurance or other credit enhancement obtained by VSAC. In the case of a debt service reserve fund, funding shall be in an amount determined by the corporation to be reasonably required in light of the facts and circumstances of the particular debt issue, which amount must be established by resolution of the corporation prior to the issuance of such bonds or notes. In the case of a pledged equity fund, funding shall be in an amount determined by the corporation to be reasonably required in light of the facts and circumstances of the particular credit enhancement, which amount must be established by resolution of the corporation prior to entering into any credit enhancement agreement related to such pledged equity fund. Both uses of the VSAC Moral Obligation Statute require the consent of the Treasurer of the State.

The VSAC Moral Obligation Statute establishes a combined debt service reserve fund and equity fund pledge from the State in an amount not to exceed $50 million. The debt service reserve fund pledge is based on a similar structure utilized by the Bond Bank, the VHFA, UVM and VSCS, as discussed above, and is limited to $50 million of VSAC bonds, adjusted downward for any amount used for pledged equity funds. The pledged equity fund amount is limited to $50 million of equity commitment, adjusted downward for any bonds issued with the debt service reserve fund pledge described in the preceding sentence. For additional information about VSAC, see its most recent disclosure document, which can be found on the EMMA system at http://emma.msrb.org.

Transportation Infrastructure Bonds

In 2009, the General Assembly enacted 19 V.S.A. §11f (the "TIB Act"), which provided for the establishment of the Transportation Infrastructure Bond Fund (the "TIB Fund"). Under the TIB Act, the State Treasurer is authorized to issue transportation infrastructure bonds ("TIBs") from time to time in amounts authorized by the General Assembly in its annual transportation bill. The TIB Act provides that the TIB Fund shall be credited with certain funds raised from motor fuel (gas and diesel) assessments levied on distributors. Principal and interest on the TIBs and associated costs will be paid from the TIB Fund (i.e., not supported from current transportation fund or general fund revenues). The State is permitted to add its general obligation to secure the repayment of the TIBs if necessary to market the TIBs in the best interest of the State, but to date has not done so. After payment of the related bond costs, any remaining money in the TIB Fund may be used to fund qualifying transportation capital projects. No TIBs are currently outstanding.

Cash Fund for Capital and Essential Investments

In fiscal year 2022, legislation was passed establishing the Capital Expenditure Cash Fund, a "PayGo" fund for certain capital project costs as an alternative to the issuance of general obligation bonds. The fund was initially capitalized with a $25 million transfer from fiscal year 2022 unreserved and undesignated General funds, but appropriations from the fund were postponed pending further discussion of a long-term funding mechanism in the following legislative session. In fiscal year 2023, the fund was retitled the "Cash Fund for Capital and Essential Investments," and its use was broadened to include certain projects beyond the scope of those typically included in the State's capital bill. The long-term funding mechanism established for the fund is an annual transfer in an amount less than or equal to 4% of the prior-year General Fund appropriations less budget year debt service projections. The fund may also receive any other one-time transfers made by the General Assembly.

The fiscal year 2024 budget (Act 78 of 2023) transferred $17.69 million into the fund in accordance with the contemplated long-term funding mechanism, as well as an additional $95.42 million in one-time surplus revenues. The fiscal year 2024 budget also appropriated $98.61 million for various capital and other projects and reserved $39.5 million for future anticipated State match requirements to fully leverage federal funding for infrastructure projects.

PENSION PLANS

Defined Benefit Retirement Plans

Overview

The State maintains three defined benefit pension plans, the Vermont State Teachers' Retirement System ("STRS"), the Vermont State Employees' Retirement System ("VSRS"), which includes general State employees and State Police, and the Vermont Municipal Employees' Retirement System ("VMERS"). Each retirement system is serviced by an independent actuarial firm. Approximate membership of each system as of June 30, 2023 was as follows:

	Active	Inactive	Terminated, Vested	Retired and Beneficiaries
STRS	10,618	3,167	998	10,431
VSRS	8,611	2,287	844	8,058
VMERS	8,393	4,544	1,095	4,431

The State appropriates funding for pension costs associated with its two major retirement plans, VSRS and STRS, covering substantially all State employees and teachers, respectively. The State's contributions to each system are based on percentage rates of each member's annual earnable compensation. These rates include a "normal contribution" rate and an "accrued liability contribution" rate and are fixed on the basis of the liabilities of the systems as shown by actuarial valuations. Both the VSRS and STRS unfunded liabilities are currently amortized over a 30-year period beginning in 2008 and ending in 2038. See "Actuarial Valuation" below.

The STRS appropriations to the pension fund are made from the Education Fund (for the normal contribution) and from the General Fund. These appropriations are reduced on a pro rata basis for contributions from Local Education Agencies for teachers who are funded by Federal grants. In the case of VSRS, the various State cost centers/funds are assessed an employer contribution based on the payroll associated with the cost center/fund. VSRS funding requirements are then calculated as a percentage of the State payroll and are remitted to the pension fund as an employer contribution with each bi-weekly payroll. As actual payroll for the year may vary from estimated totals and from pay period to pay period, a reconciliation is completed by the State each year, and an adjustment to the subsequent appropriation calculation is made to assure that all funds required to meet the projected ADEC (as defined below) are remitted to the pension fund.

The State's other statutory pension plan, VMERS, was established effective July 1, 1975. Effective July 1, 1987, and thereafter, all payments to the VMERS' pension accumulation fund are supported entirely by employer (municipal) and employee contributions; the State is not required to make any contributions to VMERS. Employers make periodic payments that are reconciled quarterly into the pension accumulation funds, which payments are percentages of annual earnable compensation of each membership group and consist of a "normal" and "unfunded accrued liability" portion.

The following tables set forth the total market value of net assets, amount of employee and employer contributions, net investment income or loss, and disbursements including benefit payments, refunds on death and refunds plus interest on withdrawals, for the defined benefit plans for STRS, VSRS and VMERS for fiscal year 2014 through fiscal year 2023, inclusive.

Vermont State Teachers' Retirement System (STRS) Defined Benefit Plan[1]

Year Ended June 30	Market Value of Net Assets	Employee Contributions	Employer Contributions	Net Investment Income/(Loss)[2]	Disbursements
2023	$2,527,709,398	$51,997,621	$201,925,261	$178,491,952	$244,673,077
2022	2,339,412,945	44,597,049	325,244,828	(223,275,025)	230,413,696
2021	2,422,793,508	42,199,015	134,541,278	512,194,451	218,030,932
2020	1,951,489,882	40,598,283	126,941,582	83,105,319	204,052,125
2019	1,904,488,564	39,075,342	119,174,913	109,429,146	195,911,487
2018	1,832,372,554	37,888,566	114,598,921	125,566,281	184,707,288
2017	1,738,557,574	36,142,411	82,887,174	173,166,614	174,779,900
2016	1,620,899,749	35,408,763	73,225,064	19,877,270	164,915,262
2015	1,653,116,441	34,863,531	72,908,805	(7,566,697)	153,284,690
2014	1,705,364,605	32,558,584	71,869,736	212,338,195	166,962,651

Vermont State Employees' Retirement System (VSRS) Defined Benefit Plan[1]

Year Ended June 30	Market Value of Net Assets	Employee Contributions	Employer Contributions[3]	Net Investment Income/(Loss)[2,4]	Disbursements[3]
2023	$2,423,230,405	$48,580,695	$116,387,502	$168,509,405	$188,282,139
2022	2,276,645,124	44,654,960	197,523,008	(215,473,911)	176,143,624
2021	2,425,222,408	42,113,318	88,944,172	497,422,655	162,571,410
2020	1,959,066,640	40,902,188	84,429,972	78,964,510	155,293,922
2019	1,909,469,823	40,818,039	66,617,894	106,777,462	146,542,727
2018	1,841,500,283	40,423,239	64,564,323	123,632,169	135,954,299
2017	1,748,442,294	35,966,987	97,032,971	170,358,016	128,598,845
2016	1,609,650,152	34,055,217	54,347,060	17,962,425	121,869,233
2015	1,624,861,239	33,296,248	55,881,364	(8,484,694)	113,500,820
2014	1,657,245,868	31,745,692	56,482,985	203,721,748	105,650,736

1 Source: Annual Comprehensive Financial Reports.

2 Net Investment Income/(Loss) is presented in accordance with GASB Statement No. 25. GASB Statement No. 25 has been amended by GASB 67 (as defined below) (see "PENSION PLANS – Changes to Pension Obligation Reporting"). This table does not reflect the reporting standards set forth under GASB 67, but rather is presented for informational purposes only to provide comparison data for the past ten years.

3 The amounts reflected in these columns have been restated from prior offering documents of the State to exclude healthcare contributions and pay-as-you-go payments for VSRS, which, commencing in 2009 are paid out of a separate trust.

4 Net Investment Income does not include investment income associated with the separate trust established for health care contributions and pay-as-you-go payments for VSRS discussed in footnote 3 above.

Vermont Municipal Employees' Retirement System (VMERS) Defined Benefit Plan[1]

Year Ended June 30	Market Value of Net Assets	Employee Contributions	Employer Contributions	Net Investment Income/(Loss)[2]	Disbursements
2023	$912,113,031	$29,695,944	$28,456,017	$63,095,182	$55,204,484
2022	845,979,471	25,025,242	25,217,676	(81,507,765)	49,440,996
2021	926,034,330	23,074,402	22,297,570	184,850,095	44,605,856
2020	740,052,894	20,771,304	20,680,856	29,113,786	40,438,544
2019	709,465,832	19,777,955	19,202,981	38,740,357	36,555,111
2018	667,848,904	19,166,537	17,519,690	43,889,050	32,508,497
2017	619,510,340	25,210,413	16,481,881	59,486,928	28,833,551
2016	547,015,113	15,226,948	15,235,742	6,776,933	26,479,686
2015	535,903,742	13,587,975	14,136,067	(2,358,518)	24,371,268
2014	534,525,477	13,233,728	12,805,737	64,346,116	21,189,402

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1 Source: Annual Comprehensive Financial Reports.

2 Net Investment Income/(Loss) is presented in accordance with GASB Statement No. 25. GASB Statement No. 25 has been amended by GASB 67 (see "PENSION PLANS – Recent Changes to Pension Obligation Reporting" herein). This table does not reflect the reporting standards set forth under GASB 67, but rather is presented for informational purposes only to provide comparison data for the past ten years.

Actuarial Valuation

Overview. Under State law, an approved actuary is required to make a valuation of each system's assets and liabilities annually. These reports (the "Funding Valuation Reports"), which are delivered in draft form and approved by the respective system boards in late October of each year and posted with any board-approved revisions in early November, contain an actuarial valuation of the system as of the end of the most recent fiscal year, as well as recommendations for the actuarially determined employer contribution ("ADEC") (formerly referred to as an actuarially recommended contribution ("ARC")) for the current fiscal year and the next two fiscal years. The Funding Valuation Reports also include, for each system, a description of the actuarial assumptions and methods used, a brief summary of the principal plan provisions, a summary of member data, the current amortization schedule for the unfunded actuarial accrued liability ("UAAL") and projected benefit contributions over the next ten years. The Funding Valuation Reports for the fiscal year ending June 30, 2023 (the "2023 Funding Valuation Reports"), which are the most recently completed and board approved final actuarial reports, are posted on the State Treasurer's website at:

VSRS: www.vermonttreasurer.gov/sites/treasurer/files/VSERS/VSERS-reports/actuarial-valuation/Vermont%20State%20Employees%E2%80%99%20Retirement%20System_Actuarial%20Valuation%20Report_2023.pdf

STRS: www.vermonttreasurer.gov/sites/treasurer/files/VSTRS/VSTRS-reports/Actuarial-Valuation/Vermont%20State%20Teachers%E2%80%99%20Retirement%20System_Actuarial%20Valuation%20Report_2023_Final.pdf

An actuarial valuation for funding purposes calculates the actuarial accrued liability in each of the systems, which represents the present value of benefits the system will pay to its retired members and active members upon retirement based on certain demographic and economic assumptions. The actuarial valuation compares the actuarial accrued liability with the actuarial value of assets and any excess of that liability over the assets forms the UAAL of the system. The actuarial valuation will express the percentage that a system is funded through a "funded ratio," which represents the actuarial value of assets of the system divided by the actuarial accrued liability of such system. The actuarial valuation will also state an ADEC, which is a recommended amount that the State and other sponsoring employers contribute to the applicable system. The ADEC consists of two components: (1) normal cost, which represents the portion of the present value of retirement benefits that are allocable to active members' current year service, and (2) an amortized portion of the UAAL. Both the VSRS and STRS system unfunded liabilities are currently amortized over a 30-year period, beginning in 2008 and ending in 2038.

The Funding Valuation Reports are prepared according to statute for the purpose of funding the respective systems. Recently, GASB implemented new standards for accounting for pensions. For more information, see "PENSION PLANS – Changes to Pension Obligation Reporting" below. These new standards are for accounting purposes only and do not affect the State's funding decisions.

Description of Certain Actuarial Assumptions. To calculate the actuarial value of assets and actuarial accrued liability of each system, the actuarial valuations use several actuarial assumptions. Some examples of these assumptions include an expected rate of return on assets, age of retirement of active members, future salary increases for current employees and assumed mortality rates for retirees and beneficiaries. If the actual experience of a system differs from these assumptions, the UAAL of such system may increase or decrease to the extent of any such variance. With respect to expected rate of return of assets, for example, the actual rate of return for each system depends on the performance of its investment portfolio. The value of the securities in the investment portfolio changes from one fiscal year to the next, which, in turn, causes increases or decreases in the system's UAAL. This could have a resulting impact on the ADEC, which may increase the amount of the State's contribution to the system.

For fiscal year 2023, the actuarial rate of return of the assets, which utilized smoothing (defined below), was 6.0% for VSRS and 6.1% for STRS (the market rates of returns were 7.6% and 7.8%, respectively). In addition to the above-described assumptions, the actuarial valuations of each system use several actuarial methods to calculate the actuarial value of assets and actuarial accrued liability of the systems. The actuarial methods for both the STRS and the VSRS plans are set by State statute. The actuarial cost method that is used to determine pension liabilities in the State's valuation is known as the Entry Age Normal ("EAN") Cost Method. EAN is defined as the age at the date of employment, or, if date is unknown, current age minus years of service. Normal cost and actuarial accrued liability are calculated on an individual basis and are allocated by salary, with normal cost determined using the plan of benefits applicable to each participant.

An additional actuarial method used in arriving at the actuarial valuation is so-called “smoothing,” whereby the difference between the market value of assets and the actuarial value of assets is smoothed over the previous five years to offset the effects of volatility of market values in any single year. In addition, the State uses a 20% “corridor” in order to prevent the smoothed value to stray too far from market. The use of the 20% corridor means that very large gains and losses (i.e., ones that would produce a smoothed value that is more than 20% higher or lower than the actual market value) will not be presumed to be completely transitory and will be reflected immediately in funding.

The following chart presents, based on the Funding Valuation Reports for each system, the actuarial value of assets, the market value of net assets, the actuarial value of assets as a percent of market value of assets, the investment rate of return based on the actuarial value of assets and the investment rate of return based on market value assets over the past ten years.

	Fiscal Year	**Actuarial Value (AV) of Assets**	**Market Value (MV) of Net Assets**	**AV as % of MV**	**Investment Rate of Return (AV)**	**Investment Rate of Return (MV)[1]**
STRS	2023	$2,615,250,146	$2,528,481,816	103.4%	6.1%	7.8%
	2022	2,457,374,321	2,339,412,945	105.0	5.7	(8.9)
	2021	2,191,650,755	2,422,793,508	90.5	9.9	26.6
	2020	2,035,713,611	1,951,489,882	104.3	6.4	4.6
	2019	1,950,859,980	1,904,488,565	102.4	6.9	6.3
	2018	1,866,120,413	1,832,372,553	101.8	7.0	7.6
	2017	1,779,592,227	1,738,557,573	102.4	7.3	11.2
	2016	1,716,296,235	1,620,899,749	105.9	6.8	1.3
	2015	1,662,345,707	1,653,116,441	100.6	6.5	(0.3)
	2014	1,610,285,523	1,705,364,605	94.4	8.3	14.2
VSRS	2023	$2,523,348,610	$2,423,230,404	104.1%	6.0%	7.6%
	2022	2,405,795,708	2,276,645,124	105.7	5.6	(8.7)
	2021	2,216,499,478	2,425,222,408	91.4	9.6	25.7
	2020	2,054,825,853	1,959,066,641	104.9	6.3	4.3
	2019	1,964,500,825	1,909,469,823	102.9	6.8	6.1
	2018	1,881,804,847	1,841,500,283	102.2	6.9	7.4
	2017	1,793,794,733	1,748,442,294	102.6	7.3	11.0
	2016	1,707,267,941	1,609,650,152	106.1	6.7	1.0
	2015	1,636,267,663	1,624,861,239	100.7	6.5	(0.6)
	2014	1,566,075,540	1,657,245,868	94.5	8.3	14.5

[1] Investment returns based on market value of net assets are gross of fees.
Source: Funding Valuation Reports.

Recent Actuarial Assumption Changes. State law provides that the State's actuary is to make an investigation into the mortality, service and comprehensive experience of the members and beneficiaries of each system and make recommendations for certain modifications of the actuarial assumptions, as needed. Pursuant to Act 114 of 2022, commencing in July 2023, these experience studies will be completed at least once every three years. The most recent experience studies for the VSRS and STRS systems were completed by Segal for the period covering July 1, 2019 through June 30, 2022. These reports are posted on the State Treasurer's website at:

VSRS: www.vermonttreasurer.gov/sites/treasurer/files/VSERS/VSERS-reports/VSTRS-other-reports/VSERS%20-%202023%20Actuarial%20Experience%20Review.pdf

STRS: www.vermonttreasurer.gov/sites/treasurer/files/VSTRS/VSTRS-reports/other-reports/VSTRS%20-%202023%20Actuarial%20Experience%20Review.pdf

As a result of the recommendations set forth in each of these experience studies, changes in the actuarial assumptions were made commencing with the funding valuation reports for the period ending June 30, 2023. The major actuarial assumptions were updated based on the results of the 2023 experience studies, including updates to active service demographic assumptions, compensation increase assumptions, post-retirement mortality rates, interest rates and cost-of-living adjustment rates.

At their respective September 2020 Board meetings, the Vermont Pension Investment Commission ("VPIC") and the Retirement Boards of VSRS, STRS and VMERS each lowered the assumed rate of return from 7.50% to 7.00%. The 7.00% rate was reaffirmed during the completion of the most recent experience studies.

VPIC has hired an independent actuary to provide analysis and recommendations on the assumed rate of return, the inflation assumption, and the smoothing method for each system. On July 25, 2023, the actuary presented the results of its analysis and recommended the State maintain the economic assumptions at their then-current levels, as well as the then-current five-year smoothing method. VPIC subsequently adopted the actuary's recommendations.

Pension and Health Benefits

Overview. Substantially all State employees and teachers participate in one of the two State-funded defined benefit systems, with five years of employment required before retirement benefits become vested. Retirement benefits are calculated based on a percentage of average final compensation ("AFC"), which is calculated as the average annual compensation during a prescribed period of time based on the particular system and group of membership an employee falls within. For example, the AFC for VSRS Group F employees (the largest VSRS employee group) is calculated as the average annual compensation during the highest three consecutive years. Participants also are offered an early retirement benefit after a prescribed number of years' service, if age requirements for those retirement benefits are met. For a summary of the benefit provisions for each of the VSRS and STRS systems, see the most recent Funding Valuation Reports referenced above.

Legislative Changes Affecting Benefit and Contribution Levels. The General Assembly has in the past adopted laws that have had the effect of both increasing and decreasing future retirement benefits payable under VSRS and STRS. Any increases in retirement benefits have the effect of increasing the actuarial accrued liability of the system, which also has the effect of increasing the ADEC for the State for such system. Any decreases in benefits have the effect of limiting the future growth of the actuarial accrued liability of the system, which also has the effect of limiting the growth of the ADEC for the State for such system in future plan years.

VSRS

Benefits. Under legislation enacted in fiscal year 2008, VSRS benefits were modified in three respects for Group F members hired on or after July 1, 2008. First, the maximum benefit payable was increased from 50% to 60% of the AFC. Second, the eligibility condition for an unreduced benefit changed from the attainment of age 62 or 30 years of service to age 65 or a "Rule of 87." The "Rule of 87" refers to the sum of the employee's age and years of service. Third, for members hired on or after July 1, 2008 and who were not eligible for an unreduced benefit, the reduction for early retirement changed from a uniform 6% per year to one determined on a service-based schedule. The remaining significant provision of the same legislation makes changes to retiree cost of living adjustments ("COLA"). The annual COLA applicable to the benefits of Group F members retiring after July 1, 2008 increased from 50% of the annual increase of the Consumer Price Index ("CPI") to 100% of the annual increase in the CPI index, up to a ceiling of 5%, effective January 1, 2014. Only current Group F members who were actively contributing into the system on June 30, 2008 and retire on or after July 1, 2008 were eligible for the enhanced COLA in 2014 and beyond.

Act 114 of 2022 further changed the COLA for several groups. The COLA for VSRS Group C and Group F members who were not yet eligible for normal or unreduced retirement as of June 30, 2022 was changed to 100% of CPI with a floor of 1% and a ceiling of 4%, with no COLA until the first January after the member has collected a benefit for 24 months. The COLA for Group D members who were first elected or appointed on or after July 1, 2023 was changed to 100% of CPI (with a floor of 1% and a ceiling of 5%) for that portion of a member's annual allowance up to $75,000, and 50% of CPI (with a floor of 1% and a ceiling of 5%) for that portion a member's annual allowance over $75,000, with no COLA until the first January after the member has collected a benefit for 24 months.

Act 114 of 2022 also created a new VSRS retirement group (Group G) to provide a shorter path to full retirement for front-line corrections and mental health positions. Group G will become effective in fiscal year 2024. The benefit for Group G allows for members to attain the maximum 50% of their AFC after 20 years rather than 30 years of service.

Contributions. In an effort to partially offset the increased benefits described above, under legislation enacted in fiscal years 2008 and 2011, contribution rates for State employees in the VSRS system were increased. Effective July 1, 2008, the contribution rate for Group F employees was raised, through legislation enacted in fiscal year 2008, from 3.35% to 5.1%, due to the increases in the cost of living benefit for all Group F employees described above. Subsequently, legislation was enacted in fiscal year 2011, effective July 1, 2011, that again raised the contribution rate for Group F employees, as well as all other State employees. In particular, the rate for Group F employees was increased from 5.10% to 6.40%. These rate increases were due to sunset on June 30, 2016. However, legislation was enacted in fiscal year 2016, effective July 1, 2016, that increased the contribution rate to 6.65% for Group A, D and F members and 8.53% for Group C members. When VSRS has been determined by the actuary to have assets at least equal to its accrued liability, contribution rates will be reevaluated by the actuary with a subsequent recommendation to the General Assembly.

Act 114 of 2022 increased contribution rates for VSRS employees. For Group D and Group F members, rates will be split into four quartiles based on hourly salary once planned rate increases are fully phased in. For those in the 25th percentile, rates will remain at 6.65%. For those in the 25th-50th percentile, rates increased to 7.15% in fiscal year 2023 and will increase to 7.65% in fiscal year 2024. For members in the 50th-75th percentile, rates increased in fiscal year 2023 will increase similarly in fiscal year 2024, with a further increase to 8.15% in fiscal year 2025. Those members at or above the 75th percentile will have an additional increase to 8.65% in fiscal year 2026. Contribution rates for VSRS Group C members will increase to 9.03% commencing in fiscal year 2023, 9.53% for fiscal year 2024, and 9.93% for fiscal year 2025.

New Group G contribution rates will be split into four quartiles once they are fully phased in, based on hourly salary. For those in the 25th percentile, rates will be 11.33% in fiscal year 2024 and beyond. For those in the 25th-50th percentile, rates will be 12.33% in fiscal year 2024 and 12.83% in fiscal year 2025. For members in the 50th-75th percentile, rates will increase similarly, with a further increase to 13.33% in fiscal year 2026. Those members at or above the 75th percentile will have an additional increase to 13.83% in fiscal year 2027.

STRS

Benefits. Following negotiations with the Vermont National Education Association ("VNEA"), significant benefit changes and cost reductions to the STRS system were adopted by the General Assembly in 2010 (see Act 74 of 2010 and Act 139 of 2010) (the "VNEA Benefits Legislation"). These changes have resulted in annual savings of more than $15 million per year. For STRS employees more than five years from normal retirement eligibility as of July 1, 2010 (less than 25 years of service or less than 57 years old), normal retirement will be 65 or "rule of 90" (combination of years of service and age), instead of 62 years old or with 30 years of service at any age. Early retirement will stay at 55, but the benefit reduction will be based on an actuarial calculation rather than a set percentage as previously calculated. In addition, employees more than five years from normal retirement eligibility as of July 1, 2010 will be eligible for a maximum benefit of 60% of AFC, instead of the current 50% of AFC, with a higher (2% instead of 1.67%) multiplier upon completion of 20 years of service. The VNEA Benefits Legislation also creates a tiered medical premium co-payment structure. For new hires and those with less than ten years of service as of July 1, 2010 the following premium structure applies: no subsidized coverage for retirees with one to 14 years of service, 60% premium single coverage at 15 years, 70% single premium coverage at 20 years, and 80% premium single or spousal coverage at 25 years of service. For current actives as of July 1, 2010 with more than ten years of service, the current 80% single premium coverage continues with the availability of spousal coverage at the same percentage with retirement with 25 years of service.

Act 114 of 2022 revised the COLA for active Group C STRS members not yet eligible for normal or unreduced early retirement as of June 30, 2023, maintaining the 50% of CPI formula, changing the cap to a maximum of 4%, with no COLA until the first January after the member has collected a benefit for 24 months.

Contributions. The VNEA Benefits Legislation increased the contribution rate from 3.54% to 5.0% for all employees. The VNEA Benefits Legislation also prohibited extraordinary increases in AFC (limit of 10% per year during AFC determination period) being used to determine retirement benefit levels.

In 2014, the General Assembly passed Act 179, which included an increase in employee contributions for STRS employees with less than five years' service as of July 1, 2014, from 5% to 6% of earnable compensation.

Act 114 of 2022 changed the employee contribution rates beginning in fiscal year 2023, based on the member's base salary. The rate for members at or below $40,000 remained at 6.00%. For fiscal year 2023, contribution rates increased for each $10,000 of base salary: 6.05% for members with salaries from $40,000.01-$50,000; 6.10% for $50,000.01-$60,000; 6.20% for $60,000.01-$70,000; 6.25% for $70,000.01-$80,000; 6.35% for $80,000.01-$90,000; 6.50% for $90,000.01-$100,000; and 6.65% for salaries over $100,000.01. For fiscal year 2024, contribution rates are set to increase again: to 6.10% for members at or below $40,000; 6.15% for members with salaries from $40,000.01-$50,000; 6.25% for $50,000.01-$60,000; 6.35% for $60,000.01-$70,000; 6.50% for $70,000.01-$80,000; 6.75% for $80,000.01-$90,000; 7.00% for $90,000.01-$100,000; and 7.25% for salaries over $100,000.01.

Funded Status and Funding Progress

The amount that the State actually contributes to VSRS and STRS is subject to the Governor's budget request and annual appropriations by the General Assembly. In adopting the budget, the General Assembly is not required to follow the recommendations of the actuaries or the Governor in determining the appropriation for the State's contribution to each system. Budgeted appropriations to fund the ADEC for VSRS and STRS are determined based on the Funding Valuation Reports that are completed and delivered for each system in October of the prior fiscal year.

For the VSRS, the fiscal year 2023 ADEC was $116.0 million, based on the Funding Valuation Report for the year ended June 30, 2021 (and updated as a result of Act 114 of 2022 and Act 173 of 2022). Of this amount, $1.8 million was paid by municipal employers whose employees are statutory members of VSRS, leaving a State portion of $114.2 million. The State also contributed $1.6 million to prepay the Treasurer's estimate of non-healthcare administrative expenses, making the total required State contribution $115.8 million. The fiscal year 2023 contribution to VSRS was $116.4 million, which exceeded the ADEC for VSRS for such year. For fiscal year 2024, the VSRS ADEC was $121.9 million, based on the Funding Valuation Report for the year ended June 30, 2022. Based on an estimate of $1.9 million of contributions by municipal employers whose employees are statutory members of VSRS, the State contribution amount is $120.0 million. The State also contributes an amount to prepay the Treasurer's estimate of non-healthcare administrative expenses, which for fiscal year 2024 is $2.1 million, for a total State planned contribution of $122.1 million. The fiscal year 2024 budget fully funded the State's portion of the fiscal year 2024 ADEC for VSRS. The following table presents information regarding the ADEC and the State's contributions to VSRS for fiscal years 2019 through 2023.

VSRS ($ in thousands)					
Fiscal Year	**2019**	**2020**	**2021**	**2022**	**2023**
Actuarially Determined Employer Contribution (ADEC)	$62,985	$78,944	$83,877	$119,968	$116,038
Actual Employer (State) Contribution	$66,618	$84,430	$88,944	$197,523	$116,388
% of ADEC Funded for Fiscal Year	105.8%	106.9%	106.0%	164.7%	100.3%

The 2023 Funding Valuation Report for VSRS sets forth the following projection of contributions for fiscal years 2025 and 2026.[1]

	Projected ADEC (VSRS)		
Fiscal Year	Normal Cost	UAAL	Total
2025	$34,345,741	$97,001,194	$131,346,935
2026	32,399,113	98,682,385	131,081,498

[1] See Section 2 to the 2023 VSRS report.

In addition, Section 2 of the 2023 VSRS valuation report sets forth a projected amortization schedule for the UAAL. It projects that the amortization payments will increase from $90.90 million as of July 1, 2023 (fiscal year 2024) to $117.82 million as of June 30, 2037 (fiscal year 2038), the currently projected final amortization payment. In addition to the amortization payments, the schedule sets forth anticipated additional State contribution payments as of July 1, 2023 (fiscal year 2024) through July 1, 2032 (fiscal year 2033) in amounts increasing from $9.0 million to $15.0 million. See "Recent Action Affecting the Unfunded Liabilities" below.

For the STRS, the fiscal year 2023 ADEC was $195.0 million, based on the Funding Valuation Report for the year ended June 30, 2021 (and updated as a result of Act 114 of 2022 and Act 173 of 2022). The fiscal year 2023 contribution to STRS was $201.9 million. The fiscal year 2024 ADEC for the STRS is $194.3 million, based on the funding valuation report for the year ended June 30, 2022. The State expects to fund the fiscal year 2024 STRS ADEC in an amount equal to $194.7 million from State base appropriations and contributions from local school systems or educational entities. The following table presents information regarding the ADEC and the State's contributions to STRS for fiscal years 2019 through 2023.

STRS ($ in thousands)					
Fiscal Year	**2019**	**2020**	**2021**	**2022**	**2023**
Actuarially Determined Employer Contribution (ADEC)	$105,641	$126,197	$132,142	$196,207	$194,962
Actual Employer (State) Contribution	$119,175	$126,942	$134,541	$325,245	$201,925
% of ADEC Funded for Fiscal Year	112.8%	100.6%	101.8%	165.8%	103.6%

The 2023 Funding Valuation Report for STRS sets forth the following projection of contributions for fiscal years 2025 and 2026.[1]

	Projected ADEC (STRS)		
Fiscal Year	Normal Cost	UAAL	Total
2025	$37,842,027	$163,340,676	$201,182,703
2026	38,977,288	167,012,051	205,989,339

[1] See Section 2 to the 2023 STRS report.

In addition, Section 2 of the 2023 STRS valuation report sets forth a projected amortization schedule for the UAAL. It projects that the amortization payments will increase from $159.5 million as of July 1, 2023 (fiscal year 2024) to $204.7 million as of June 30, 2037 (fiscal year 2038), the currently projected final amortization payment. In addition to the amortization payments, the schedule sets forth anticipated additional State contribution payments as of July 1, 2023 (fiscal year 2024) through July 1, 2034 (fiscal year 2035) in amounts increasing from $9.0 million to $15.0 million. See "Recent Updates Affecting VSERS Pension and OPEB Plans" below for information regarding recent State actions relating to reducing the unfunded liability and ADEC payments for the VSRS and STRS pension plans.

The following table provides an analysis of funding progress for each of the State's defined benefit pension plans from 2014 through 2023, based on the annual Funding Valuation Report for each respective year.

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Public Employee Retirement Systems Defined Benefit Plans
Analysis of Funding Progress Using GASB Statement No. 25[1]
($ in thousands)

	Actuarial Valuation Date (June 30)	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
Vermont State Employees' Retirement System							
	2014	$1,566,076	$2,010,090	$444,014	77.9%	$437,676	101.4%
	2015	1,636,268	2,178,827	542,559	75.1	462,057	117.4
	2016	1,707,268	2,289,452	582,184	74.6	471,268	123.5
	2017	1,793,795	2,511,373	717,578	71.4	526,439	136.3
	2018	1,881,805	2,661,609	779,804	70.7	544,379	143.2
	2019	1,964,501	2,779,966	815,465	70.7	550,511	148.1
	2020	2,054,826	3,095,291	1,040,465	66.4	578,206	179.9
	2021	2,216,499	3,280,868	1,064,368	67.6	578,688	183.9
	2022	2,405,796	3,444,134	1,038,338	69.9	604,112	171.9
	2023	2,523,349	3,589,070	1,065,722	70.3	653,194	163.2
Vermont State Teachers' Retirement System							
	2014	$1,610,286	$2,687,049	$1,076,764	59.9%	$567,074	189.9%
	2015	1,662,346	2,837,375	1,175,029	58.6	576,394	203.9
	2016	1,716,296	2,942,024	1,225,728	58.0	586,397	209.0
	2017	1,779,592	3,282,046	1,502,453	54.2	635,759	236.3
	2018	1,866,120	3,379,554	1,513,433	55.2	641,548	235.9
	2019	1,950,860	3,505,319	1,554,459	55.7	653,966	237.7
	2020	2,035,714	3,969,003	1,933,289	51.3	677,307	285.4
	2021	2,191,651	4,142,015	1,950,364	52.9	689,941	282.7
	2022	2,457,374	4,289,799	1,832,425	57.3	735,725	249.1
	2023	2,615,250	4,410,042	1,794,792	59.3	778,359	230.6
Vermont Municipal Employees' Retirement System							
	2014	$500,558	$580,972	$80,414	86.2%	$230,969	34.8%
	2015	543,768	699,293	155,525	77.0	249,811	62.0
	2016	581,611	744,960	163,349	78.0	256,730	63.0
	2017	634,690	754,877	120,186	84.1	274,814	43.7
	2018	680,005	827,680	147,674	82.2	289,839	50.9
	2019	718,337	896,342	178,005	80.1	321,367	55.4
	2020	761,506	1,004,560	243,054	75.8	344,148	70.3
	2021	837,096	1,074,168	237,072	77.9	348,794	68.0
	2022	893,224	1,159,280	266,056	77.1	373,590	71.2
	2023	946,401	1,260,909	314,507	75.1	413,201	76.1

Source: Funding Valuation Reports

[1] GASB Statement No. 25 has been amended by GASB 67 (see "PENSION PLANS – Changes to Pension Obligation Reporting"). This table does not reflect the reporting standards set forth under GASB 67, but rather is presented for informational purposes only to provide comparison data for the past ten years. Data presented in the table was derived from the Funding Valuation Reports, but the table has not been reviewed by the State's consulting actuary.

Defined Contribution Retirement Plans

The State established an optional defined contribution plan for exempt State employees effective January 1, 1999. Exempt employees hired after January 1, 1999 have a one-time opportunity to elect either the defined benefit or the defined contribution plan. As of June 30, 2023, the VSRS Defined Contribution Plan's net position totaled $79.15 million and there were 542 participants.

The General Assembly granted authority to the VMERS Board of Trustees to establish a defined contribution plan that may be offered in lieu of the defined benefit plan currently available under VMERS. The plan was made available to new members effective July 1, 2000. The defined contribution plan may be offered by municipal employers to one or more groups of eligible employees. Once offered by the employer, each eligible employee is required to make an election to participate. As of June 30, 2023, the VMERS Defined Contribution Plan's net position totaled $27.16 million and there were 438 participants.

Changes to Pension Obligation Reporting

GASB Statement No. 67

In June 2012, GASB issued GASB Statement No. 67 ("GASB 67"), which amended GASB Statement No. 25 and set forth new standards that modified the financial reporting of the State's pension obligations. GASB 67 requires changes in presentation of the financial statements, notes to the financial statements, and required supplementary information. Significant changes include an actuarial calculation of total and net pension liability ("NPL"). It also includes comprehensive footnote disclosure regarding the pension liability, the sensitivity of the net pension liability to the discount rate, and increased investment disclosures. The new standard was effective commencing with the State's fiscal year 2014 reports.

One significant change implemented by GASB 67 is that reporting under the new requirements is based on the market value of assets. Because this will likely result in increased volatility in the NPL and pension expense from year to year, the State continues to prepare reports based on its established funding methodology, incorporating the generation of an ADEC as the basis for its funding recommendation to the Governor and the General Assembly. Commencing with fiscal year 2014, however, the State's actuary also prepares a report for each system reflecting fiscal year results under the new accounting requirements (the "GASB 67 Reports"). The GASB 67 Reports for the fiscal year ending June 30, 2023 are incorporated herein by reference and are available at:

VSRS: www.vermonttreasurer.gov/sites/treasurer/files/VSERS/VSERS-reports/actuarial-valuation/VSERS%206_30_2023%20GASB%2067%20Actuarial%20Valuation%20Report.pdf

STRS: www.vermonttreasurer.gov/sites/treasurer/files/VSTRS/VSTRS-reports/Actuarial-Valuation/VSTRS%206_30_2023%20GASB%2067%20Actuarial%20Valuation%20Report.pdf

VMERS: www.vermonttreasurer.gov/sites/treasurer/files/VMERS/VMERS-reports/VMERS-actuarial-reports/VMERS%206_30_2023%20GASB%2067%20Actuarial%20Valuation%20Report.pdf

The fiscal year 2023 GASB 67 Reports are based on fiscal year 2022 census data rolled forward to fiscal year 2023, taking into account actual benefit and expense payments made during the year, any benefit and contribution plan changes and the market value of assets as of June 30, 2023. For the purpose of complying with GASB 67, the actuarial assumptions incorporate the use of market value of assets (as previously described) and the entry age normal (EAN) actuarial method. The long-term expected rate of return is determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The discount rate used for the fiscal year 2023 GASB 67 Reports was 7.0% for each of the systems.

The following table provides an analysis of funding progress for each of the State's defined benefit pension plans for fiscal year 2023 based on the GASB 67 Reports. The NPL is calculated using the plan assets of each system at their market value (Fiduciary Net Position) and a single discount rate (calculated as described above). The

UAAL shown in the table above labeled "Public Employee Retirement Systems Defined Benefit Plans, Analysis of Funding Progress Using GASB Statement No. 25", by contrast, uses a smoothing method to determine the Actuarial Value of Assets at the plan's assumed rate of return. For an analysis of funding progress for each of the State's defined benefit plans for fiscal years 2014 through 2023 based on GASB 67, see pages 182-199 of the fiscal year 2023 ACFR attached hereto as Appendix A.

Schedule of Changes in the Net Pension Liability and Related Ratios Using GASB Statement No. 67
($ in thousands)

	Actuarial Valuation Date (June 30)	System Fiduciary Net Position[1]	Total Pension Liability	Net Pension Liability	System Fiduciary Net Position as a Percentage of the Total Pension Liability	Covered Payroll[2]	Net Pension Liability as a Percentage of Covered Payroll
VSRS	2023	$2,423,230	$3,579,984	$1,156,754	67.69%	$576,952	200.49%
STRS	2023	$2,527,709	$4,397,768	$1,870,059	57.48%	$701,567	266.55%
VMERS	2023	$912,113	$1,232,407	$320,294	74.01%	$355,709	90.04%

[1] Represents the market value of plan assets as of the actuarial valuation date.
[2] As of the actuarial valuation date.

The GASB 67 Reports present both an NPL and a funding percentage. Because both VSRS and STRS use the EAN actuarial method for funding, which is the required method for GASB 67, variances between the funding and GASB 67 reports are primarily, but not exclusively, related to market value differences. For VMERS, however, the variance between the funding valuations and the GASB 67 numbers are significant as the VMERS system does not use the prescribed EAN method for funding valuation purposes.

GASB 67 also requires an analysis to determine the sensitivity of the NPL to changes in the discount rate, if it were calculated one percentage point lower or one percentage point higher. The results for fiscal year 2023 are as follows:

($ in thousands)	**VSRS**	**STRS**
One percent (1%) decrease		
Discount Rate	6.00%	6.00%
Net Pension Liability	$1,611,168	$2,408,849
Net Pension Liability, as reported		
Discount Rate	7.00%	7.00%
Net Pension Liability	$1,156,754	$1,870,059
One percent (1%) increase		
Discount Rate	8.00%	8.00%
Net Pension Liability	$781,298	$1,420,759

GASB Statement No. 68

In June 2012, GASB also issued GASB Statement No. 68 ("GASB 68"), which set forth new standards that modified the accounting and financial reporting of the State's pension obligations. The new standard for governments that provide employee pension benefits requires the State to report in its Statement of Net Position a net pension liability, defined as the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees and their beneficiaries. The new standard requires immediate recognition of more pension expense than was previously required. The rate used to discount projected benefit payments to their present value is based on a single rate that reflects (a) the long-term expected rate of return on plan investments as long as the plan net position is projected under specified conditions to be sufficient to pay pensions of current employees and retirees and the pension plan assets are expected to be invested using a strategy to achieve that return and (b) a yield or index rate on tax-exempt 20-year AA-or-higher rated municipal bonds to the extent that the conditions for use of the long-term expected rate of return are not met. The date after which a yield or index rate on tax-exempt 20-year AA-or-higher rated municipal bonds is required to be used is referred to as a "crossover date." GASB 68 was effective commencing with the State's fiscal year 2015.

For fiscal year 2023, the State elected to use fiscal year 2022 as a measurement date, which means that the NPL reported in the State's ACFR for the fiscal year ended June 30, 2023 was based on the fair value of assets as of June 30, 2022. As of June 30, 2023, the State reported an NPL of $3,052.5 million, of which $1,123.9 million is allocable to VSRS and $1,928.6 million is allocable to STRS. The State's actuary has completed its analysis as to the appropriate discount rate for calculation of the NPL for fiscal year 2023 (based on a June 30, 2022 measurement date) and concluded that none of the three plans experienced a "crossover" event. The measurement of the State's NPL for fiscal year 2023 assumes a long-term expected rate of return of plan investments of 7.0%.

The GASB 68 Reports for the fiscal year ending June 30, 2023 are posted on the State Treasurer's website at:

VSRS: https://www.vermonttreasurer.gov/sites/treasurer/files/VSERS/PDF/2023/VSERS_2023_GASB_68_Report.pdf

STRS: https://www.vermonttreasurer.gov/sites/treasurer/files/VSTRS/PDF/2023/VSTRS_2023_GASB_68_Report.pdf

Recent Action Affecting the Unfunded Liabilities

In fiscal year 2022, in addition to funding the ADEC, the State made significant one-time payments of $75 million to VSRS and $125 million to STRS to reduce the unfunded liability. Pursuant to Act 114 of 2022, the State made annual payments of $9 million each to VSRS and STRS in fiscal year 2024. Act 114 of 2022 also commits the State to making additional annual payments above the ADEC each to VSRS and STRS of $12 million in fiscal year 2025, increasing up to $15 million in fiscal year 2026, and remaining at that level until each system reaches a funding level of 90%.

Other Post-Employment Benefits

Overview. Beginning in fiscal year 2008, pursuant to rules adopted by the Governmental Accounting Standards Board covering non-pension post-employment benefits, primarily health insurance (GASB Statement Nos. 43 and 45), public sector entities such as the State were required to report the future costs of these benefits on their balance sheets. The standards do not require pre-funding such benefits, but the basis applied by the standards for measurement of costs and liabilities for these benefits is more conservative, and therefore results in larger yearly cost and liability accruals if they are funded on a pay-as-you-go basis—as they presently are in many other jurisdictions—and not pre-funded in the same manner as traditional pension benefits. Pursuant to Act 114 of 2022, the State created a prefunding schedule for the VSRS and STRS systems, and, accordingly, valuation of those systems' other post-employment benefits ("OPEB") liabilities commencing in fiscal year 2023 is based on the expected return on long-term investments, consistent with the pension fund valuations, rather than the pay-as-you-go basis.

Actuarial Valuation. The State's independent actuary has prepared reports of the OPEB liabilities for VSRS and STRS as of June 30, 2023 under GASB 74, as well as calculating an ADEC for each of the systems. VMERS, a cost-sharing, multiple-employer public employees' retirement system, is administered by the State but has no associated state health care benefit or liability. Component units and authorities of the State will perform their own valuation as the State does not assume the risk or financial burden for their health care costs. As further described below, an OPEB trust has been established for both VSRS and STRS.

As noted above, Act 114 of 2022 created a prefunding schedule for the VSRS and STRS systems. In the absence of prefunding, in valuing the OPEB liabilities, the State was required to use a discount rate that approximated the State's rate of return on non-pension, liquid investments over the long term (resulting in the use of a discount rate of between 2.2-3.5% over the past several years). As a result of prefunding, however, the State is now permitted to use the expected return on long-term investments consistent with the respective pension funds, currently 7.0% for both the VSRS and STRS systems. As a result, the State's Net OPEB Liability (NOL) for each system, as reflected on the State's balance sheet, has decreased significantly.

For VSRS, the Net OPEB Liability (NOL) as of June 30, 2023 is $891.7 million, an increase of $89.3 million from the prior valuation NOL of $802.5 million, primarily as a result of assumption changes, including updating the valuation year per capita health costs and modifying future trend rates of health costs.

Based on the actuarial report under GASB 74 for the year ended June 30, 2023, the VSRS OPEB ADECs for fiscal years 2024 and 2025 are $67.1 million and $78.3 million, respectively. In fiscal year 2023, the State funded actual health care pay-as-you-go payments for VSRS in the amount of $41.5 million. For fiscal year 2024, the State budgeted health care payments at $37.1 million.

For STRS, the Net OPEB Liability (NOL) as of June 30, 2023 is $779.5 million, an increase of $61.7 million from the prior valuation NOL of $717.9 million, primarily as a result of differences between expected and actual experience, and assumption changes including updating the per capita health costs. Based on the actuarial report under GASB 74 for the year ended June 30, 2023, the STRS OPEB ADECs for fiscal years 2024 and 2025 are $61.3 million and $70.5 million, respectively. In fiscal year 2023, the State funded actual health care pay-as-you-go payments for STRS in the amount of $34.5 million. For fiscal year 2024, the State budgeted health care payments at $38.2 million.

The actuarial reports under GASB 74 of the OPEB liabilities for VSRS and STRS as of June 30, 2023 are posted on the State Treasurer's website at:

VSRS: www.vermonttreasurer.gov/sites/treasurer/files/VSERS/VSERS-reports/actuarial-valuation/14794%20VSERS%207_1_23%20GASB%2074.pdf

STRS: www.vermonttreasurer.gov/sites/treasurer/files/VSTRS/VSTRS-reports/Actuarial-Valuation/14794%20VSTRS%207_1_23%20GASB%2074.pdf

Funding Status and Funding Progress. In fiscal year 2007, an irrevocable trust was established to be administered by the State Treasurer for the purpose of accumulating and providing reserves to fund retiree post-employment benefits for members of the VSRS, excluding pensions and benefits otherwise appropriated by statute.

In the case of VSRS, current year heath care expenses are expressly funded, separate from the pension actuarial contribution. In the case of STRS, until the end of fiscal year 2014, the health care expenses were paid through a sub-fund of the pension fund but were not explicitly budgeted or funded, were treated as an amortized actuarial loss, and were therefore not included in the Net OPEB Liability calculation, but rather were reflected as part of the NPL. In Act 179 of 2014, the Vermont General Assembly created the Retired Teachers' Health and Medical Benefits Fund to explicitly fund current year health care expenses separate from the pension actuarial contribution, commencing July 1, 2014.

The Retired Teachers' Health and Medical Benefit Fund ("RTHMB Fund") receives funding from a combination of sources including General Fund appropriations, Employer Group Waiver Plan (EGWP) subsidies, and, starting in fiscal year 2016, an annual health care assessment on newly-hired teachers.

The State previously provided a table that showed certain actuarial information, including funded ratios, regarding its OPEB plans, but such information is no longer calculated under GASB 74 and the analogous information is presented in the following section.

Changes Affecting OPEB Reporting

In June 2015, GASB issued Statement No. 74 ("GASB 74") and Statement No. 75 ("GASB 75"), which set forth new standards that modified the accounting and financial reporting of the State's OPEB. Under GASB 74, which was effective in 2017, OPEB plans are required to discount retiree health care liabilities based on the 20-year municipal bond rates if there are not sufficient assets in the plans to use the long term expected return rate. As the STRS OPEB was funded on a pay-as-you-go basis through fiscal year 2021, the rates used in 2017, 2018, 2019, 2020, and 2021 were the 20-year municipal bond rates of 3.58% 3.87%, 3.50%, 2.21%, and 2.20% respectively. As a result of the commencement of prefunding, the rate used in 2022 and 2023 was 7.00%. GASB 75 was effective in 2018 and required states to report a net OPEB liability on their statements of net position, defined as the difference between the total OPEB liability and the net assets set aside in the trust. Also required by GASB 75 was the recognition in the statement of activities of a net OPEB expense. The following tables present the funding status of the VSRS OPEB and the STRS OPEB for the last ten years (in accordance with the applicable GASB statements). For additional information on the State's OPEB funding progress, presented in accordance with GASB 74 and GASB 75, see pages 147-162 of the fiscal year 2023 ACFR attached hereto as Appendix A.

VSRS

Valuation (as of June 30)[1]	**Plan Net Position**	**Total OPEB Liability[3]**	**Net OPEB Liability[3]**	**Funded Ratio**	**Covered Payroll**	**Net OPEB Liability as % of Covered Payroll**
2023	$137,759,297	$1,029,530,587	$891,771,290	13.38%	$605,397,885	147.30%
2022	104,800,044	907,317,295	802,517,251	11.55	579,628,736	138.45
2021	120,267,813	1,593,341,095	1,473,073,282	7.55	578,701,831	254.55
2020	57,592,708	1,482,970,357	1,425,377,649	3.88	554,291,862	257.15
2019	51,732,747	1,279,298,804	1,227,566,057	4.04	548,512,479	223.80
2018	21,770,915	1,240,275,317	1,218,504,402	1.76	531,542,782	229.24
2017	22,501,872	1,484,522,051	1,462,020,179	1.52	497,200,588	294.05

Actuarial Valuation (as of June 30)[2]	**Actuarial Value of Assets**	**Actuarial Accrued Liability**	**UAAL**	**Funded Ratio**	**Covered Payroll**	**UAAL as % of Covered Payroll**
2016	$21,352,818	$1,165,802,786	$1,144,449,968	1.83%	$497,222,039	230.17%
2015	19,904,458	1,113,023,051	1,093,118,593	1.79	488,949,089	223.56
2014	18,904,148	1,092,728,237	1,073,824,089	1.73	464,517,262	231.17

[1] Amounts are prepared in accordance with GASB 74, effective as of fiscal year 2017.
[2] Amounts are prepared in accordance with GASB Statement No. 43, which was replaced by GASB 74.
[3] The decrease in the Total OPEB liability and Net OPEB Liability in fiscal year 2022 was primarily due to the change in valuation methodology due to the passage of Act 114 of 2022.

STRS

Valuation (as of June 30)[1]	Plan Net Position	Total OPEB Liability[4]	Net OPEB Liability[4]	Funded Ratio	Covered Payroll	Net OPEB Liability as % of Covered Payroll
2023	$72,228,386	$851,763,295	$779,534,909	8.48%	$701,566,613	111.11%
2022	40,507,851	758,359,091	717,851,240	5.34	657,934,953	109.11
2021	14,633,492	1,290,220,534	1,275,587,042	1.13	645,902,984	197.49
2020	8,718,699	1,268,119,008	1,259,400,309	0.69	624,908,253	201.53
2019	312,090	1,041,064,931	1,040,752,841	0.03	612,899,069	169.81
2018	(26,443,247)	927,843,142	954,286,389	(2.85)	607,354,756	157.12
2017	(26,657,646)	905,632,829	932,290,475	(2.94)	586,397,072	158.99
Actuarial Valuation (as of June 30)[2]	**Actuarial Value of Assets**	**Actuarial Accrued Liability**	**UAAL**	**Funded Ratio**	**Covered Payroll**	**UAAL as % of Covered Payroll**
2016	$(20,961,074)	$656,936,580	$677,897,654	(3.19)%	$606,842,668	111.71%
2015	(10,056,456)	993,036,838	1,003,093,294	(1.01)	576,255,084	174.07
2014[3]	-	766,775,478	766,775,478	0.00	565,658,407	135.55

[1] Amounts are prepared in accordance with GASB 74, effective as of fiscal year 2017.
[2] Amounts are prepared in accordance with GASB Statement No. 43, which was replaced by GASB 74.
[3] The RTHMB Fund was established by the Vermont General Assembly pursuant to Act 179 of 2014, effective July 1, 2014. Prior to such date, health care expenses were paid through a sub-fund of the pension fund but were not explicitly budgeted or funded, were treated as an amortized actuarial loss, and were therefore not included in the UAAL calculation.
[4] The decrease in the Total OPEB liability and Net OPEB Liability in fiscal year 2022 was primarily due to the change in valuation methodology due to the passage of Act 114 of 2022.

LABOR RELATIONS

As of June 30, 2023, there were 8,285 employees in the executive branch of State government. This figure includes both classified and exempt positions. Seasonal work force needs affect the number of temporary employees. Therefore, they are not included in the number of employees.

Most of the State's classified employees in certified bargaining units are represented by the Vermont State Employees' Association ("VSEA"). The approximately 254 members of the Vermont State Police bargaining unit (for the rank of Sergeant and below) are represented by the Vermont Troopers' Association (VTA). The State's current contract with its unionized Non-Management and Supervisory employees represented by VSEA (effective July 1, 2024 and expiring June 30, 2026) provides for the continuation of longevity-based salary increases (steps) during both years of the contract, a 4.5% across-the-board pay increase effective July 14, 2024, and an additional 2.0% across-the-board pay increase effective July 13, 2025. The current contract for Corrections department employees (approximately 900) represented by VSEA (effective July 1, 2024, and expiring June 30, 2026) provides for the continuation of longevity-based salary increases (steps) during both years of the contract, implementation of a new pay plan with an average value increase of approximately 8.0% increase effective July 14, 2024, and additional $1.00 per hour across-the-board pay increase effective July 13, 2025. The VTA bargaining unit agreement (effective July 1, 2024 and expiring June 30, 2026) provides for the continuation of longevity-based salary increases across both years of the contract, a 4.5% across-the-board pay increase effective July 14, 2024, and an additional 3.0% across-the-board pay increase effective July 13, 2025.

CYBERSECURITY RISKS

The State relies on the use of information technology as a critical enabling factor to support citizens, businesses, and all aspects of State government. The State also relies on its access to the Internet to conduct essential operations.

The State faces the same external cyber threats as any other entity connected to the Internet, including phishing attacks, ransomware, malware-embedded emails, denial of service and network-based attacks. Internal cyber threats (commonly referred to as "Insider Threat") also exist, and the most common result is a breach of confidential or sensitive information.

To counter known and unknown cyber threats, the State employs a wide variety of defensive strategies. These strategies include hardware and software deployed at every level of the enterprise architecture, from network perimeter devices to the user desktop, including firewalls, intrusion detection/prevention, multi-factor authentication, and endpoint protection focused to detect cyber-attacks against the email system, web and application servers, and databases.

The State requires employees to complete a comprehensive cybersecurity training and awareness program, which is presented in incremental lessons to ensure that the training is a normal and regular reminder of the importance of the employees' role in the State's cybersecurity. The State coordinates and shares cyber event information with state and federal entities, such as the Department of Homeland Security and with cyber-focused public organizations such as the Multi State Information Sharing and Analysis Center (MS-ISAC) and the National Association of State Chief Information Officers (NASCIO). In 2018 and 2019, the State partnered with Norwich University to conduct tests on some of its critical systems and conducted a series of table-top exercises in 2020 and 2021 to evaluate its incident response plan and the State's capability detect, contain, and eradicate a cybersecurity incident. Operationally, the State recently replaced aging infrastructure with modern networking equipment and new next-gen firewalls to protect both its internet boundary and fully upgraded one of the State data centers. A large percentage of the State workforce began and continues to work remotely from home due to the COVID-19 pandemic, and the State rolled out a new virtual private network (VPN) service allowing for end-to-end encryption when employees access State data directly from home. This work has also helped facilitate the State's response to the July 2023 Flooding by enabling a greater work from home capability for State employees.

While there can be no guarantees against a future cyber-attack resulting in some impact, the State has taken a deliberate and focused approach to protect against, detect, respond to, and recover from a potential cyber event and looks at every opportunity to improve on its cyber-readiness posture. If there is a significant attack or data breach, the State has a cyber-insurance policy to assist with any repercussions of a serious incident. This policy includes coverage for legal services, computer forensic services, notification expenses, crisis monitoring coverage, business interruption, data protection loss, and cyber terrorism and extortion. Notwithstanding the planning and actions taken to date, the State cannot assure that future incidents or possible unknown prior events will not have a potential material impact on the State's operations or financial condition.

LITIGATION

The State, its agencies, officials and employees are defendants in numerous lawsuits involving tort, contract, civil rights and employment claims. While the State is unable to predict the ultimate outcome of the majority of these suits, some of which seek recovery of monetary damages of unspecified amounts, the State believes that any ultimate liability to the State resulting from these lawsuits that is not covered by various insurance policies would not materially affect the State's overall financial condition. See "CERTIFICATES OF STATE OFFICERS – Absence of Litigation" for a discussion of the Attorney General's certificate regarding litigation affecting the Bonds. See also Note V.D to the audited basic financial statements of the State for fiscal year 2023, contained within the portion of the ACFR attached as Appendix A to this Official Statement.

The following matter should also be noted. The State recently agreed to settle all pending and potential civil claims against the State arising from several development projects associated with Jay Peak, a privately owned Vermont ski resort ("Jay Peak").

In 2016, the Securities and Exchange Commission ("SEC") filed a civil enforcement action for alleged fraud and federal securities law violations by the owners of Jay Peak and associated businesses. The defendants allegedly misused hundreds of millions of dollars raised through investments solicited under the federal EB-5 Immigrant Investor Program, which encourages foreign investment in qualifying domestic projects in exchange for receipt of permanent resident cards ("Green Cards"). The SEC enforcement action filed in the U.S. District Court for the Southern District of Florida involved appointment of a Receiver (the "Receiver") for the Jay Peak businesses. The State also brought a civil enforcement action against the same defendants in Vermont state court related to alleged fraud and violations of Vermont law. These collective enforcement actions resulted in settlements involving agreement by the defendants to pay back tens of millions of dollars and pay additional fines. Following those settlements, the principals associated with the Jay Peak projects pleaded guilty to federal crimes, including providing false information to federal and state government, and were sentenced to prison.

Approximately 850 investors invested in the Jay Peak EB-5 projects. A number of these investors filed civil actions against the State and its former officials and employees, alleging that the State was negligent and breached contractual duties in failing to prevent the Jay Peak fraud. The initial investor lawsuit against the State was filed in 2017. A total of 34 separate lawsuits were filed on behalf of 63 individual EB-5 investors. The State and its current and former officials and employees denied liability for all claims made in these actions. In July 2023, the parties and the Receiver reached a global agreement in principle to settle these lawsuits and to prevent future lawsuits against the State related to the Jay Peak EB-5 projects.

The global settlement agreement, which was fully executed on August 10, 2023, was contingent on the Florida federal district court overseeing the Jay Peak receivership issuing a "bar order." The settlement received final approval by the federal district court on October 20, 2023, and the bar order was issued on that date. The period within which the settlement approval and bar order could be appealed expired on December 19, 2023. The bar order resolves all pending and potential lawsuits against the State that have been brought or could be brought by the approximately 850 investors in the Jay Peak EB-5 projects.

The terms of the global settlement include an initial payment by the State into the receivership of $9.5 million, payment of an additional $3 million by July 1, 2024, and conditional payment of an additional $4 million by July 1, 2025, for a maximum total payment of $16.5 million. The initial payment was made to the receivership on December 26, 2023. Under the terms of the settlement, the State is continuing its support of investors' pursuit of Green Cards. If those efforts are successful, the State will not be obligated to pay the final $4 million payment in 2025. In a separate June 2023 agreement, the State settled the claims of eight individual Jay Peak investors for a total payment of $750,000. Budgeted amounts are currently available for all payments to be made other than the conditional payment due on July 1, 2025, which will require a legislative appropriation if the payment is required.

TAX EXEMPTION

In the opinion of Locke Lord LLP, Bond Counsel to the State of Vermont ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds will not be included in computing the alternative minimum taxable income of Bondholders who are individuals. However, interest on the Bonds will be included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. Failure to comply with these requirements may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The State has covenanted to comply with such requirements to ensure that interest on the Bonds will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these requirements.

Bond Counsel is also of the opinion that, under existing law, interest on the Bonds is exempt from State of Vermont personal income taxes and State of Vermont corporate income taxes. Bond Counsel expresses no opinion regarding any other State of Vermont tax consequences arising with respect to the Bonds. Bond Counsel also has not opined as to the taxability of the Bonds or the income therefrom under the laws of any state other than the State of Vermont. Complete copies of the proposed form of opinion of Bond Counsel are set forth in Appendix C hereto.

To the extent the issue price of any series and maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and is exempt from State of Vermont personal income taxes and State of Vermont corporate income taxes. For this purpose, the issue price of a particular series and maturity of the Bonds is the reasonably expected initial offering price to the public or, if applicable, the first price at which a substantial amount of such series and maturity of the Bonds is sold to the public. The original issue discount with respect to any series and maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the reasonably expected initial offering price to the public, or, if applicable, the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Bonds, or, in some cases, at the earlier redemption date of such Bonds ("Premium Bonds"), will be treated as having amortizable bond premium for federal income tax purposes and State of Vermont personal income tax purposes. No deduction is allowable for the amortizable bond premium in the case of obligations, such as the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a Beneficial Owner's basis in a Premium Bond will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Holders of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and interest on the Bonds is exempt from State of Vermont personal income taxes and State of Vermont corporate income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Bondholder's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Bondholder or the Bondholder's other items of income, deduction or exclusion. Bond Counsel expresses no opinion regarding any such other tax consequences, and Bondholders should consult with their own tax advisors with respect to such consequences.

Risk of Future Legislative Changes and/or Court Decisions

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the Vermont General Assembly. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Bonds will not have an adverse effect on the tax status of interest on the Bonds or the market value or marketability of the Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Bonds from gross income for federal or state income tax purposes for all or certain taxpayers. Additionally, Bondholders should be aware that future legislative actions (including federal income tax reform) may retroactively change the treatment of all or a portion of the interest on the Bonds for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the Bonds may be affected and the ability of Bondholders to sell their Bonds in the secondary market may be reduced. The Bonds are not subject to special mandatory redemption, and the interest rates on the Bonds are not subject to adjustment, in the event of any such change in the tax treatment of interest on the Bonds. Investors should consult their own financial and tax advisors to analyze the importance of these risks.

FINANCIAL ADVISOR

Public Resources Advisory Group, Media, Pennsylvania ("PRAG"), serves as independent financial advisor to the State on matters relating to debt management. In its capacity as financial advisor to the State, PRAG has read and participated in the preparation of certain portions of this Official Statement. PRAG is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing or trading municipal securities or any other negotiated instruments. PRAG is not obligated to undertake to make an independent verification of or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

COMPETITIVE SALE OF THE BONDS

After competitive bidding on June 6, 2024, the Series A Bonds were awarded to Piper Sandler & Co. Piper Sandler & Co. has supplied the information as to the public offering yields or prices of the Series A Bonds set forth on the inside cover page hereof and has informed the State that if all of the Series A Bonds are resold to the public at those yields or prices, they anticipate the total underwriter's compensation for the Series A Bonds to be $214,656.87. Piper Sandler & Co. may change the public offering yields or prices from time to time.

After competitive bidding on June 6, 2024, the Series B Bonds were awarded to Jefferies LLC. Jefferies LLC has supplied the information as to the public offering yields or prices of the Series B Bonds set forth on the inside cover page hereof and has informed the State that if all of the Series B Bonds are resold to the public at those yields or prices, they anticipate the total underwriter's compensation for the Series B Bonds to be $60,803.00. Jefferies LLC may change the public offering yields or prices from time to time.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

On the date of delivery and payment of the Series B Bonds, a portion of the proceeds of the Series B Bonds will be used to purchase Government Obligations to be held in trust by the Escrow Agent to provide, together with other available funds, for payment of principal of and interest and premium, if any, on the Refunded Bonds through their redemption date. The arithmetical accuracy of certain computations included in the schedules provided by or on behalf of the State relating to computation of anticipated receipts of principal and interest on the Government Obligations to pay the regularly scheduled debt service on the Refunded Bonds until the call date and to redeem the Refunded Bonds on the call date will be verified by AMTEC, independent arbitrage consultants (the "Verification Agent"). Such computations are based solely upon assumptions and information supplied by or on behalf of the State. The Verification Agent has restricted its procedures to verifying the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions or the achievability of future events.

RATINGS

The State has received ratings of "AA+" with a stable outlook, "Aa1" with a stable outlook, and "AA+" with a stable outlook, from Fitch Inc., Moody's Investors Service and S&P Global Ratings (each, a "Rating Agency"), respectively, on the Bonds. The State furnished each Rating Agency with certain information and materials concerning the Bonds and the State. Generally, each Rating Agency bases its rating on such information and materials and also on such investigations, studies and assumptions that it may undertake independently. There is no assurance that such rating will continue for any given period of time or that such rating may not be suspended, revised or withdrawn entirely by such Rating Agency if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of a rating could have an adverse effect on the market prices of the Bonds. Any explanation of the significance of the ratings may be obtained only from each respective Rating Agency.

LEGAL MATTERS

All legal matters incidental to the authorization and issuance of the Bonds by the State are subject to the approval of Locke Lord LLP, Boston, Massachusetts, Bond Counsel, whose approving opinion will be delivered with the Bonds. A copy of the proposed form of opinion is attached hereto as Appendix C.

CERTIFICATES OF STATE OFFICERS

Absence of Litigation

Upon delivery of the Bonds, the State will furnish a certificate of the Attorney General of the State, dated the date of delivery of the Bonds, to the effect that there is no litigation of any nature pending or to the best of such officer's knowledge, threatened to restrain or enjoin the issuance or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any of the proceedings taken with respect to the issuance and sale thereof, or restraining the power and authority of the officers of the State to levy, collect or enforce any taxes or other revenues to pay interest on or principal of the Bonds, except any such litigation as, in the opinion of Attorney General of the State, is without merit; that the title to office of any of the officers of the State concerned with the authorization, execution, issuance or delivery of the Bonds is not being contested; and that no authority or proceedings for the issuance of the Bonds has or have been repealed, revoked or rescinded.

The Governor's and Treasurer's Certificate

Upon delivery of the Bonds, the State shall furnish a certificate, dated the date of delivery of the Bonds, signed by the Governor and the Treasurer of the State, certifying that, except for the initial offering prices or yields of the Bonds on the inside cover page of this Official Statement and any other information concerning reoffering of the Bonds included herein provided by the Series B Underwriters, the form of opinion of Bond Counsel included as Appendix C hereto, and the information under the heading "BOOK-ENTRY ONLY SYSTEM" (as to none of which they express any view), to the best of their knowledge this Official Statement, as of the date of this Official Statement and as of the date of delivery of the Bonds, does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

CONTINUING DISCLOSURE AGREEMENT

The State has covenanted for the benefit of the owners of the Bonds to provide certain financial information and operating data relating to the State within one year following the end of the State's fiscal year, (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. The Annual Report and event notices will be filed by the State with the Municipal Securities Rulemaking Board (the "MSRB"). The specific nature of the information to be contained in the Annual Report or the event notices is summarized below in Appendix B hereto, "Form of Continuing Disclosure Agreement." These covenants have been made in order to assist the purchasers in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule"). The State is not aware of any failure to comply in any material respect with any of its previous undertakings with respect to the Rule in the previous five years.

ADDITIONAL INFORMATION

The Commissioner of Finance and Management reports on the financial conditions for the State including its operations and balances, receipts, and disbursements of the various funds in the Annual Financial Report. In addition, the State regularly receives reports from consultants, commissions, and special task forces relating to various aspects of the State's financial affairs, including capital projects, State and local services, taxation, revenue estimates, pensions, and other matters.

Additional information may be obtained upon request from the office of the State Treasurer, Hon. Michael Pieciak, Pavilion Building, 109 State Street, Montpelier, Vermont 05609-6200, Telephone: (802) 828-2301 or from

Mr. Thomas F. Huestis, Senior Managing Director, Public Resources Advisory Group, 10 W Front Street, Suite 3R, Media, Pennsylvania 19063, Telephone: (610) 565-5990.

It is the current policy of the State to provide copies of the General Obligation Bond Law, prior Official Statements of the State and the State's annual financial reports upon request. The State reserves the right at any time to change this policy to comply with law or for any other reason.

Some information throughout this Official Statement is based, in part, on projections and forward looking statements related to fiscal year 2024 and subsequent years. No assurance can be given that the budget, the revenue and expenditure estimates or the forward-looking statements discussed will be realized. The accuracy of the budget, the revenue and expenditure estimates and forward-looking statements related to fiscal years 2024 and thereafter cannot be verified until after the close of the fiscal year. In addition the accuracy of all projections and forward-looking statements is dependent on a number of factors including (1) general economic factors that affect local source revenues such as individual income taxes and sales and use taxes, (2) general factors that affect the United States economy and the State economy, and (3) the accuracy of data relating to employment, inflation and income growth in the United States and in the State.

Any statements in the Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. This Official Statement is not to be construed as a contract or agreement between the State and the purchasers or holders of any of the Bonds.

This Official Statement is submitted only in connection with the sale of the Bonds by the State and may not be reproduced or used in whole or in part for any other purpose, other than to satisfy the State's continuing disclosure obligations under the Rule.

By: */s/ Philip B. Scott*
Governor

By: */s/ Michael Pieciak*
Treasurer

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APPENDIX A

STATE OF VERMONT'S ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2023

The information in this Appendix A includes pages 13 through 224 of the State of Vermont's Annual Comprehensive Financial Report (the "ACFR") for the fiscal year ended June 30, 2023. The entire ACFR is available from the Department of Finance and Management's website at https://finance.vermont.gov/reports-and-publications/annual-comprehensive-financial-report.

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CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

The Speaker of the House of Representatives,
President Pro-Tempore of the Senate,
and the Governor of the State of Vermont

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Vermont (the State), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of certain funds and component units of the State, which represent the indicated percentages of total assets and total revenues of the opinion units as presented in the table below. Additionally, we did not audit the information disclosed in Note V-E. Those financial statements and information in Note V-E were audited by other auditors, whose reports thereon have been furnished to us, and our opinion, insofar as it related to the amounts included for those funds and component units, is based solely on the reports of the other auditors.

Opinion Unit	Entity	Percent of Opinion Unit's Total	
		Assets	Revenues / Additions
Governmental Activities	Universal Service Fund	0.05%	0.06%
Business-Type Activities	State Lottery Fund; Energy Efficiency Utility Fund	12.82%	54.48%
Special Fund	Universal Service Fund	0.66%	1.22%
State Lottery Fund	State Lottery Fund	100.00%	100.00%
Aggregate Remaining Fund Information	Energy Efficiency Utility Fund	0.48%	3.67%
Aggregate Discretely Presented Component Units	University of Vermont and State Agricultural College; Vermont State Colleges; Vermont Housing Finance Agency; Vermont Economic Development Authority; Vermont Housing and Conservation Board; Vermont Veterans' Home	75.29%	93.16%

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the State and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Changes in Accounting Principles

As discussed in Note I.F. to the financial statements, effective July 1, 2022, the State adopted new accounting guidance for subscription-based information technology arrangements (SBITA). The guidance requires lessees to recognize a right-to-use software asset and corresponding right-to-use liability for all SBITA with terms greater than twelve months.

As discussed in Note V.G. to the financial statements, effective July 1, 2022, the State adopted Governmental Accounting Standards Board Statement No. 91, *Conduit Debt Obligations*. The guidance required the Vermont Bond Bank, a nonmajor discretely presented component unit, to recognize certain obligations which were not previously reported in the financial statements.

Our opinions are not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the State's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the State's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the accompanying table of contents (collectively referred to as RSI) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The combining and individual fund statements and schedules (the supplementary information) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2024, on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boston, Massachusetts
January 26, 2024

INTRODUCTION

We are pleased to present this analysis and discussion of Vermont's financial performance for the fiscal year ended June 30, 2023. This Management Discussion & Analysis (MD&A) section is intended to serve as an introduction to the state's basic financial statements, which have the following components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The MD&A is designed to assist the reader in focusing on significant financial matters, provide an easily readable overview of the state's financial activities, identify any material changes from the original budget, and highlight financial matters that occurred during fiscal year 2023. The following presentation is in summary form; to gain a thorough understanding of the state's financial condition, the following financial statements, notes and required supplementary information should be reviewed in their entirety.

FINANCIAL HIGHLIGHTS

Government-wide

Vermont reported a positive net position of $1.039 billion, comprised of $8.021 billion in total assets and $1.389 billion in deferred outflows offset by $7.029 billion in total liabilities, and $1.342 billion in deferred inflows at June 30, 2023 (Table 2). Of this positive net position amount, $3.117 billion represents the net investment in capital assets, $981.9 million is restricted for various purposes, and $3.060 billion represents a deficit unrestricted net position. The reasons for the deficit unrestricted net position are discussed in the Government-wide Financial Analysis section.

The primary government's net position has increased by $450.2 million as a result of this year's operations. The net position for governmental activities increased $431.1 million and net position for business-type activities increased by $19.1 million (Table 3).

Fund level

Vermont's governmental funds reported a combined ending fund balance of $2.255 billion, an increase of $302.7 million or 15.5% above the prior year. Of this ending fund balance, $58.3 million is non-spendable, $623.9 million is restricted for specific purposes, and $1.572 billion is available for spending (committed, assigned, and unassigned fund balance). The increase in ending fund balance is primarily attributable to an increase in the fund balance of the General Fund ($217.3 million) and the Special Revenue Funds ($149.6 million), offset by a decrease in Capital Projects Funds ($69.6 million).

Vermont's enterprise funds reported a combined net position of $302.1 million, an increase of $19.6 million over last year.

Vermont's General Fund reported an ending fund balance of $1,064.3 million, of which $1,013.4 million is available for spending (committed, assigned and unassigned).

Capital assets

The carrying amount of capital assets for the primary government increased to $3.581 billion, an increase of $171.5 million over last year. The increase is primarily due to increases in Infrastructure ($214 million), Intangible right-to-use assets (42.6 million), Land, Land Use Rights and Land Improvements ($15.5 million) and in Buildings and Improvements ($5.6 million); offset by decreases in Construction in Process ($89.7 million), and in Machinery and Equipment ($16.6 million).

Long-term debt

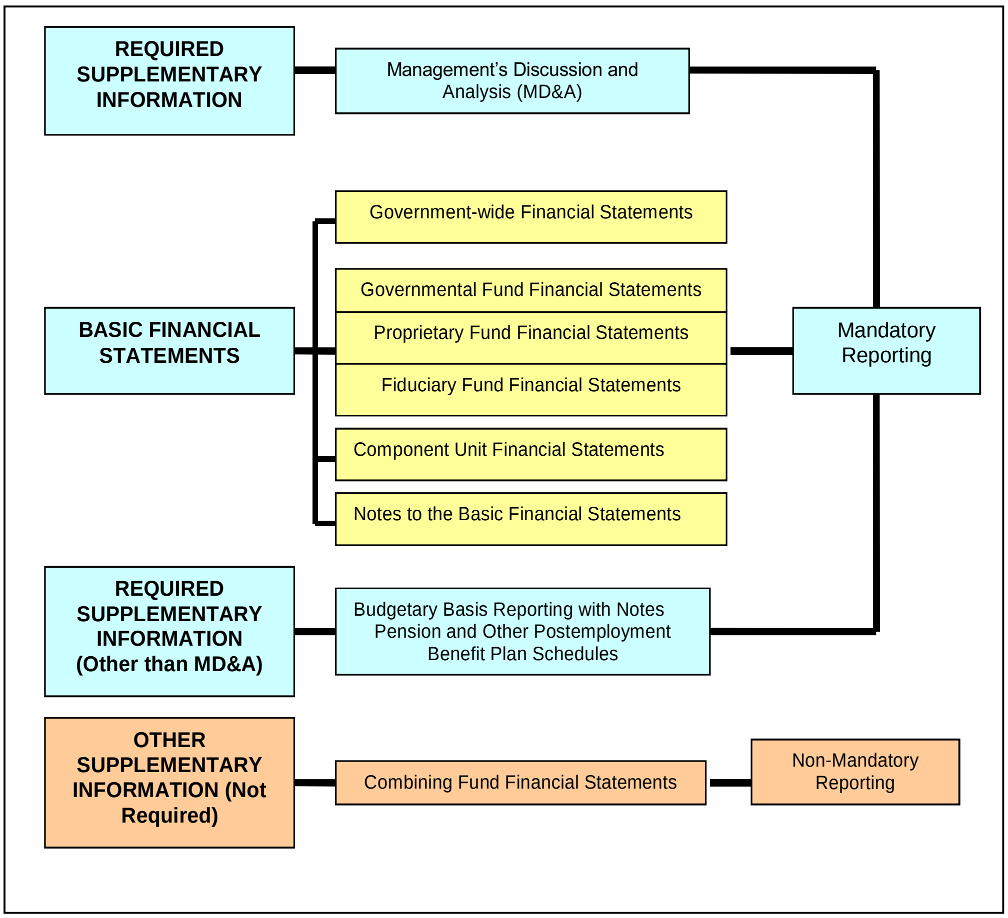
Vermont's debt outstanding for general obligation bonds decreased $51.2 million as compared to fiscal year 2022. In 2023, Vermont did not issue any bonds and retired $51.2 million in general obligation bonds.

More information regarding the government-wide financial statements, fund level financial statements, capital asset activity and long-term debt activity can be found beginning on page 24.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Annual Comprehensive Financial Report (ACFR) consists of an introductory section, a financial section, and a statistical section. The financial section contains the Independent Auditor's Report, this discussion and analysis section, the basic financial statements (BFS) with required supplementary information (RSI), and other supplementary information. Additional information regarding the above sections may be found below as well as in the notes to the financial statements.

The layout of the financial section and the relationship of the financial statements and supplementary information is presented in the following diagram. Notice the relationships between the various elements of the ACFR, such as "mandatory versus non-mandatory" reporting, or "required versus not required" supplementary information. This diagram is designed to illustrate how the various elements of the state's financial activity fit together in this ACFR.



<u>Basic Financial Statements</u>

Vermont's basic financial statements (BFS) consist of four components: 1) government-wide financial statements, 2) funds' financial statements, 3) component units' financial statements, and 4) notes to the financial statements. The fund financial statements include governmental, proprietary, and fiduciary types of funds that will be described later in this analysis. Notes to the financial statements provide explanations and/or additional detail for all of the above financial statements and are considered an integral part of the financial statements.

Table 1 summarizes the major features of the basic financial statements with further explanations below:

Table 1 - Major Features of the State's Government-wide and Fund Financial Statements				
	Government-wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire State government (except fiduciary funds) and the State's discretely presented component units	The activities of the state that are not proprietary or fiduciary, such as Human Services and Transportation	Activities the state operates similar to private businesses, such as the Liquor Control Fund and State Lottery Fund	Instances in which the state is the trustee or agent for someone else's resources, such as the retirement plans for public employees
Required financial statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Position Statement of Revenues, Expenses, and Changes in Net Position Statement of Cash Flows	Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset / liability information	All assets and liabilities, both financial and capital, and both short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and both short-term and long-term	All assets and liabilities, both financial and capital, and both short-term and long-term
Type of inflow / outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

1) Government-Wide Financial Statements

Vermont's government-wide financial statements, which follow this MD&A section, are designed to present a broad view of the state's operations and financial position in a manner similar to the accounting principles used by most private-sector business. All of Vermont's activities except its fiduciary funds' activities are reported in the government-wide statements. Fiduciary activities are not included because the resources of these funds are not available to support Vermont's own programs.

The government-wide statements contain both short-term and long-term information about the state's financial position and assist in assessing the state's economic condition at the end of each fiscal year. Vermont prepares these statements using the "flow of economic resources" measurement focus and the accrual basis of accounting. The methods utilized to prepare these statements are similar to those used by most private sector businesses. They consider all financial activity connected with the reported fiscal year including revenues, expenses, transfers, sales or acquisitions of capital assets, and any other activity affecting or possibly affecting the financial condition of the state, even if cash involved has not yet been received or paid.

The government-wide financial statements present two statements:

The *Statement of Net Position* presents a snapshot of both the primary government's and its component units' assets, liabilities, deferred outflows, and deferred inflows, as of the date of this report, with the difference between the assets and deferred outflows, and liabilities and deferred inflows reported as "net position". Over time, increases or decreases in the primary government's net position may serve as an indicator as to whether the financial position of the state is improving or deteriorating.

The *Statement of Activities* presents the reported year's financial activity and hence, the reason(s) for the changes in net position included on the Statement of Net Position. All changes in financial activities are recognized as soon as the underlying event(s) giving rise to the changes occur, regardless of the timing of related cash flows. Thus, some revenues and expenses reported in this statement will not result in cash flows until future fiscal periods. This statement also presents the relationship between the state's major expenditure functions and the associated sources of program revenues associated with each expenditure function.

Both of the above financial statements segregate Vermont's financial activity into three categories: governmental activities, business-type activities, and discretely presented component unit activities. The governmental activities and business-type activities are combined to report on what is termed *primary government activities* which are separate and distinct from the *component units' activities* of the discretely presented component units.

Primary Government Activities
Governmental Activities – The financial activities reported in this section generally represent those services (functions) normally performed by a government entity. These activities are classified as either major or non-major, depending upon their financial size as compared to each other and to the group as a whole. The governmental activities include public education, general government, public health services, legal and judiciary services, natural resources, public safety, regulatory services, social services, and public transportation. Taxes, grants, and intergovernmental revenues are the main sources of funding for these activities.

Business-Type Activities – These business-type activities of the state include the operations of Vermont's enterprise activities. For financial reporting purposes, these activities are classified as either major or non-major, depending upon their financial size as compared to each other and to the group as a whole. Activities categorized as major include the Unemployment Compensation Trust Fund program, Liquor Control Fund, and the State Lottery Fund. Activities reported as non-major include the Federal Surplus Property Program, making equipment loans to municipalities, and several other activities. Both major and non-major activities normally recover all or a portion of their costs through user fees and charges to the external consumers of their goods and services, much like a private business.

Component Units' Activities
Discretely Presented Component Units – These are legally separate (incorporated) entities for which the primary government has the ability to impose its will on the entity, receive a benefit from activities of the entity, or could incur a financial burden due to the activities of the entity. Vermont's discretely presented component units are presented in the aggregate in the government-wide statements. This aggregate total consists of four major and five non-major component units. This categorization is determined by the entity's relative significance to Vermont. Additional information or financial statements for each of these individual component units can be obtained from their respective administrative offices. Addresses and additional information about the component units are presented in Note I to the financial statements.

Blended Component Units – Vermont has no blended component units.

Included with the basic financial statements are two schedules that reconcile the amounts reported on the governmental fund financial statements (modified accrual basis of accounting) with governmental activities (accrual basis of accounting) on the government-wide statements.

The following summarizes some of the differences in modified accrual and accrual accounting:

- Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental fund statements.
- Certain revenues that are earned, but not available, are reported as revenues of governmental activities, but are reported as unavailable revenue on the governmental fund statements.
- Unless currently due and payable, long-term liabilities, such as lease and subscription-based information technology arrangements (SBITA's) liabilities, compensated absences, net pension and other postemployment benefit obligations, and bonds and notes payable appear as liabilities in the government-wide statements but are not reported in the governmental fund statements.
- Internal service funds are reported primarily as governmental activities but reported as proprietary funds in the fund financial statements.
- Capital outlay spending results in recording capital assets on the government-wide statements but is reported as an expenditure on the governmental fund statements.
- Bond, note, lease, and SBITA proceeds result in liabilities on the government-wide statements, but are recorded as other financing sources on the governmental fund statements. Payments of bond, note, lease, and SBITA principal results in a reduction in liabilities on the government-wide statements but are reported as expenditures on the governmental fund statements.
- Certain other outflows represent either increases or decreases in liabilities on the government-wide statements, but are reported as expenditures on the governmental fund statements.
- Net position balances are allocated as *net investment in capital assets* (capital assets, net of accumulated depreciation, and reduced by outstanding balances for bonds, notes, lease, SBITA liabilities attributable to those assets) *restricted net position* (those with constraints placed on their use by external sources or imposed by law through constitutional provision or enabling legislation) and *unrestricted net position* (the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that do not meet any of the above restrictions).

The notes to the basic financial statements provide additional information that is integral to understanding the data provided in the government-wide and fund financial statements.

2) Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. In line with practices of other state and local governments, Vermont uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus and report on the state's activities in more detail than the government-wide statements. All of Vermont's funds have been divided into three categories for reporting purposes: governmental, proprietary, and fiduciary. For governmental activities, the governmental funds financial statements indicate how these services are financed in the short-term as opposed to the government-wide statements, which present a long-term view of the state's finances.

In accordance with GASB Statement No. 34, the focus of governmental fund financial statements has shifted from fund types to reporting on the most significant funds of the state, or major funds. Accordingly, the governmental and proprietary funds are divided into major and non-major categories as required by the Governmental Accounting Standards Board. For the governmental and proprietary funds, the major funds are reported in individual columns in the fund financial statements while the non-major funds are presented in a consolidated column in the fund financial statements. Combining schedules or statements in the Other Supplementary Information section present detailed non-major fund activity. Fiduciary funds are reported by fiduciary type (pension and other postemployment benefit trusts, private purpose trusts, and custodial funds). Combining schedules or statements for the individual pension, other postemployment benefit, and custodial funds are presented in the Other Supplementary Information section.

The three categories of funds are Governmental Funds, Proprietary Funds, and Fiduciary Funds. These fund categories use different accounting methods and should be interpreted differently as described below. Following is a brief overview of these three major categories of funds.

Governmental Funds
Most of the state's basic services are accounted for in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as the balances of resources available at the end of the fiscal year. This approach uses the "flow of current financial resources" measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of the state's finances that help determine whether adequate financial resources are available to meet the current needs of the state.

Because the time period focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Schedules reconciling the governmental funds' Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances to their respective government-wide statements are provided on the pages immediately following each governmental fund financial statement to facilitate this comparison.

Vermont reports twenty governmental funds of which six are classified as "major" governmental funds. These major funds are the General Fund, Transportation Fund, Education Fund, Special Fund, Federal Revenue Fund and Global Commitment Fund. Each major fund is presented in a separate column in the Governmental Funds' *Balance Sheet* and in the *Statement of Revenues, Expenditures, and Changes in Fund Balances*. The "non-major" governmental funds include the Fish and Wildlife Fund, two capital projects funds, two debt service funds, and nine permanent funds, all of which are presented in one consolidated column in the governmental fund statements. Combining and individual non-major governmental fund statements are reported in the Other Supplementary Information section of this report.

Fund balance (the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources) is classified as nonspendable, restricted, and unrestricted (committed, assigned or unassigned).

Vermont budgets and controls its financial activities on the cash basis of accounting. State law requires financial transactions to be recorded in either of two major categories – the General Fund or various special revenue funds. References to these funds in this report include the terms "budgetary" or "budgetary basis" to differentiate them from the GAAP funds of the same name which encompass different funding categories. Vermont adopts an annual appropriated budget for its budgetary general fund and each special revenue fund. A budgetary comparison schedule has been provided for these funds to demonstrate compliance with the approved budgets. These schedules can be found as part of the required supplementary information section of this report.

The governmental funds' financial statements immediately follow the government-wide financial statements.

Proprietary Funds
This category of funds includes enterprise funds (business-type) and internal service funds. These funds report activities that operate much like those of commercial enterprises. These funds' financial reports include a *Statement of Net Position;* a *Statement of Revenues, Expenses and Changes in Net Position*; and a *Statement of Cash Flows*.

Enterprise funds provide the same type of information as the business-type activities section in the government-wide financial statements, only in more detail and at the fund level. Like the government-wide financial statements, enterprise fund financial statements use the accrual basis of accounting. Enterprise funds account for services provided to the general public, government, and non-state government entities. They normally derive their revenue by charging user fees in order to cover the costs of their services.

Vermont reports nine enterprise funds of which three are reported as major funds in separate columns on the proprietary fund statements. These three are the Unemployment Compensation Fund, the Liquor Control Fund, and the State Lottery Fund. The other six enterprise funds are reported as "non-major funds" and are consolidated into one column on the proprietary fund statements.

Internal service funds are used to report activity that provides goods and services to other funds, departments, or agencies of the primary government and its component units, or to other governments on a cost reimbursement basis. These funds provide communication and information technology, facilities and property management, fleet management, printing, risk management and insurance services. The internal service fund activities are allocated proportionately between the governmental activities (predominately) and the business-type activities in the government-wide statements based on the benefit of the services provided to these activities. The reconciliation between the government-wide financial statements for business-type activities and the proprietary fund statements is presented at the end of the proprietary fund financial statements.

Vermont reports twenty-four internal service funds, which are reported in one consolidated column entitled "Governmental Activities – Total Internal Service Funds" on the Proprietary Funds Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows.

The proprietary funds' financial statements immediately follow the governmental fund financial statements. Combining non-major enterprise and combining internal service fund statements may be found in the Other Supplementary Information section of this report.

Fiduciary Funds
The fiduciary funds are used to account for assets held by Vermont in a trustee capacity or as an agent for individuals, private organizations, other governmental units, or other funds. Fiduciary funds are excluded from the government-wide financial statements because Vermont cannot use these assets to finance its operations. The fiduciary funds use the accrual basis of accounting.

Vermont's fiduciary funds are divided into the following three basic categories: Pension and Other Postemployment Benefit Trust Funds (includes three separate defined benefit pension plans, three separate defined contribution pension plans, two defined benefit other postemployment benefit plans, and one defined contribution other postemployment benefit plan); a Private Purpose Trust Fund (which reports only the Unclaimed Property Fund); and Custodial Funds (five custodial funds which account for the assets held for distribution by Vermont on behalf of other governmental units, organizations or individuals). These funds' financial statements include a *Statement of Fiduciary Net Position,* and a *Statement of Changes in Fiduciary Net Position*.

The fiduciary funds financial statements can be found immediately following the proprietary funds' financial statements. Individual pension and other postemployment benefit trust funds' and custodial funds' financial statements are reported in the Other Supplementary Information section of this report.

3) Discretely Presented Component Units' Financial Statements
As mentioned previously, Vermont has included the net position and activities of four major component units in individual columns and five non-major component units in a single column on the statements. The component units' financial statements can be found immediately after the fiduciary funds. Combining individual non-major component units' financial statements can be found in Other Supplementary Information section of this report.

4) Notes to the Financial Statements
The notes provide additional information that is essential to a full understanding of the data presented in the government-wide and the fund financial statements. They are an integral part of the financial statements and focus on the primary government and its activities. The notes also explain some of the information contained in the financial statements and provide more detail than is practical in the financial statements.

The notes include a summary of significant accounting policies; additional information regarding the reconciliation of government-wide and fund financial statements; discussions on stewardship, compliance, and accountability; detailed notes on all activities and funds; and other information. The notes to the financial statements can be found immediately following the component units' financial statements.

Required Supplementary Information Other Than MD&A
The basic financial statements are followed by a section of required supplementary information. This section includes:

The Schedule of Changes in Net Pension Liability and Related Ratios, the Schedule of Investment Returns, the Schedule of Employer and Non-employer Contributions, and the Schedule of the State's Proportionate Share of the Net Pension Liability for the two defined benefit pension trusts are included in the required supplementary information section. Also, this section includes the Schedule of Changes in Net OPEB Liability and Related Ratios, The Schedule of Investment Returns, Schedule of Employer and Non-employer Contributions, and the Schedule of the State's Proportionate Share of the Net OPEB Liability for the other postemployment benefit plans.

Schedules for the General Fund and budgeted Special Revenue Funds comparing their original budgeted amounts; final budgeted amounts; actual inflows, outflows, and balances stated on a budgetary basis; and variances between the final budgeted amounts and actual amounts presented on a budgetary basis. See Note III.A for additional information regarding the budgetary process, including the budgetary basis.

Notes to Required Supplementary Information include a schedule reconciling the statutory fund balance presented on a budgetary basis to the fund balance prepared on a modified accrual basis as presented in the governmental fund financial statements for the general fund and each budgeted special revenue fund, as well as additional information regarding the budgetary process.

Other Supplementary Information
The combining fund financial statements referred to earlier in connection with non-major funds and non-major component units are presented following the Required Supplementary Information section. The total columns of these combining financial statements carry to the applicable fund financial statement. These combining statements include the following:

Non-major governmental funds
Non-major proprietary (enterprise) funds
Internal service funds
Fiduciary funds (including individual pension and other postemployment benefit trust funds, and custodial funds)
Non-major component units

Statistical Section
A statistical section containing information regarding financial trends, revenue capacity, and debt capacity, as well as operating, economic and demographic information is presented immediately following the combining financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

The following primary government condensed financial statement information is derived from Vermont's June 30, 2023 and 2022 government-wide Statement of Net Position. Although the government-wide statements include discretely presented component unit activity, the component unit activity has not been included in these condensed statements.

Vermont's combined positive net position (governmental and business-type activities) totals $1.039 billion at the end of fiscal year 2023, as shown in Table 2. Approximately $3.117 million of the combined net position represents Vermont's investment in capital assets such as land, buildings, equipment, infrastructure (roads, bridges, and other immovable assets), and intangible right-to-use assets less any related debt still outstanding that was used to acquire those assets. This net investment in capital assets represents resources used to provide services to citizens, and therefore, is not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Governmental Activities for capital assets net of accumulated depreciation increased by $166.2 million. Major category changes include infrastructure increases in transportation's railroad projects of $91.8 million, bridges over 20 feet of $79.3 million, and minor arterial projects of $45.7 million. The implementation of GASB Statement 96 for SBITA's, added $44.3 million in intangible right-to-use assets. These changes were offset by a $89.7 million reduction in construction in process including a $42 million reduction in infrastructure construction projects by transportation, and $32 million reduction in Human Services information technology projects not eligible for capitalization under SBITA's requirements. Business-type Activities for capital assets net of accumulated depreciation increased $5.3 million due to the implementation of GASB Statement 96 for SBITA's.

An additional portion of the primary government's net position ($981.9 million) represents resources that are subject to external restrictions on how they may be used. This is an increase of $85.7 million and is primarily a result of additional amounts that are restricted for Human Services ($26.7 million), Unemployment ($22.9 million), Natural Resources ($21.8 million), Transportation ($8.8 million), Protection to Persons and Property ($6.5 million) and Capital projects ($1.6 million); offset by decreases in amounts restricted for Education ($820 thousand), Labor ($812 thousand), Debt Service ($721 thousand), and Commerce and Community Development ($515 thousand).

Internally imposed designations of resources are not presented as restricted net position. The remaining balance of unrestricted net position is a deficit of $3.060 billion. The governmental activities' negative unrestricted net position balance is mainly the result of three actions: 1) the net pension and net other postemployment benefit liabilities; 2) the amount of net position that is restricted for various purposes; and 3) long-term debt issued by Vermont for municipal, non-profit or component unit capital purposes, $207.6 million outstanding at June 30, 2023, that does not result in a governmental activities' capital asset.

Current assets increased by $46.7 million primarily due to increases in investments ($681.5 million), taxes receivables ($10.7 million), other receivables ($9.7 million), receivables from component units ($3.4 million) and inventories ($2.2 million); offset by reductions in cash and cash equivalents ($545.3 million), federal grants receivables ($112.1 million), loans and notes receivables ($2.1 million), and other current assets ($1.4 million).

Long term liabilities decreased by $736.6 million primarily due to the decreases in net pension liabilities and net other postemployment benefit liabilities ($700 million), bonds, and notes payable ($58.2 million), lease liabilities ($7.3 million), and compensated absences ($1.4 million); offset by increases in SBITA liabilities ($16.8 million), other long-term liabilities ($8.6 million) and claims and judgements ($4.9 million).

At the end of fiscal year 2023, Vermont reported positive total net position balances in its governmental activities, business-type activities and its discretely presented component units.

(Table on next page.)

TABLE 2
State of Vermont's Net Position
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
ASSETS						
Current assets	$ 3,524.4	$ 3,490.7	$ 377.9	$ 364.9	$ 3,902.3	$ 3,855.6
Other assets	536.5	567.5	1.2	1.0	537.7	568.5
Capital assets	3,572.5	3,406.3	8.6	3.3	3,581.1	3,409.6
Total assets	7,633.4	7,464.5	387.7	369.2	8,021.1	7,833.7
DEFERRED OUTFLOWS OF RESOURCES						
Total deferred outflows of resources	1,377.6	1,458.9	11.5	6.6	1,389.1	1,465.5
LIABILITIES						
Current liabilities	1,746.5	1,940.4	64.9	70.7	1,811.4	2,011.1
Long-term liabilities	5,199.3	5,942.5	18.4	11.7	5,217.7	5,954.2
Total liabilities	6,945.8	7,882.9	83.3	82.4	7,029.1	7,965.3
DEFERRED INFLOWS OF RESOURCES						
Total deferred inflows of resources	1,327.9	734.3	14.4	11.0	1,342.3	745.3
NET POSITION						
Net Investment in capital assets	3,113.0	2,945.7	3.6	3.3	3,116.6	2,949.0
Restricted	681.5	620.0	300.4	276.2	981.9	896.2
Unrestricted (deficit)	(3,057.2)	(3,259.5)	(2.5)	2.9	(3,059.7)	(3,256.6)
Total net position	$ 737.3	$ 306.2	$ 301.5	$ 282.4	$ 1,038.8	$ 588.6

Totals may not add due to rounding.

Changes in Net Position

Governmental type activities had an overall increase in net position of $431.1 million, or a 140.8% increase in the net position, resulting from an operating profit of $375.7 million and transfers in from business-type activities of $55.4 million. The $222.8 million increase in revenues over 2022 was due to an increase of $160.1 million in program revenues and $62.7 million in general revenues. The increase in general and program revenues is largely due to higher investment earnings and increased federal grant revenue respectively.

Business-type activities had an overall increase in net position of $19.1 million or 6.8%, resulting from an operating profit of $74.5 million prior to transfers out of $55.4 million. The majority of transfers out was represented by a $33.6 million transfer from the State Lottery Fund to support education and a $20.5 million transfer from the Liquor Control Fund to the General Fund. Revenues decreased $79.3 million from 2022, primarily due to a decrease in unemployment federal grants ($92.7 million). The State Lottery Fund's operating revenue increased by $7.6 million and the Liquor Control Fund's operating revenue increased by $2.2 million.

The primary government condensed financial statement information is derived from Vermont's June 30, 2023 and 2022 government-wide Statement of Changes in Net Position. Although the government-wide statements include discretely presented component unit activity, the component unit activity has not been included in these condensed statements.

(Table on next page.)

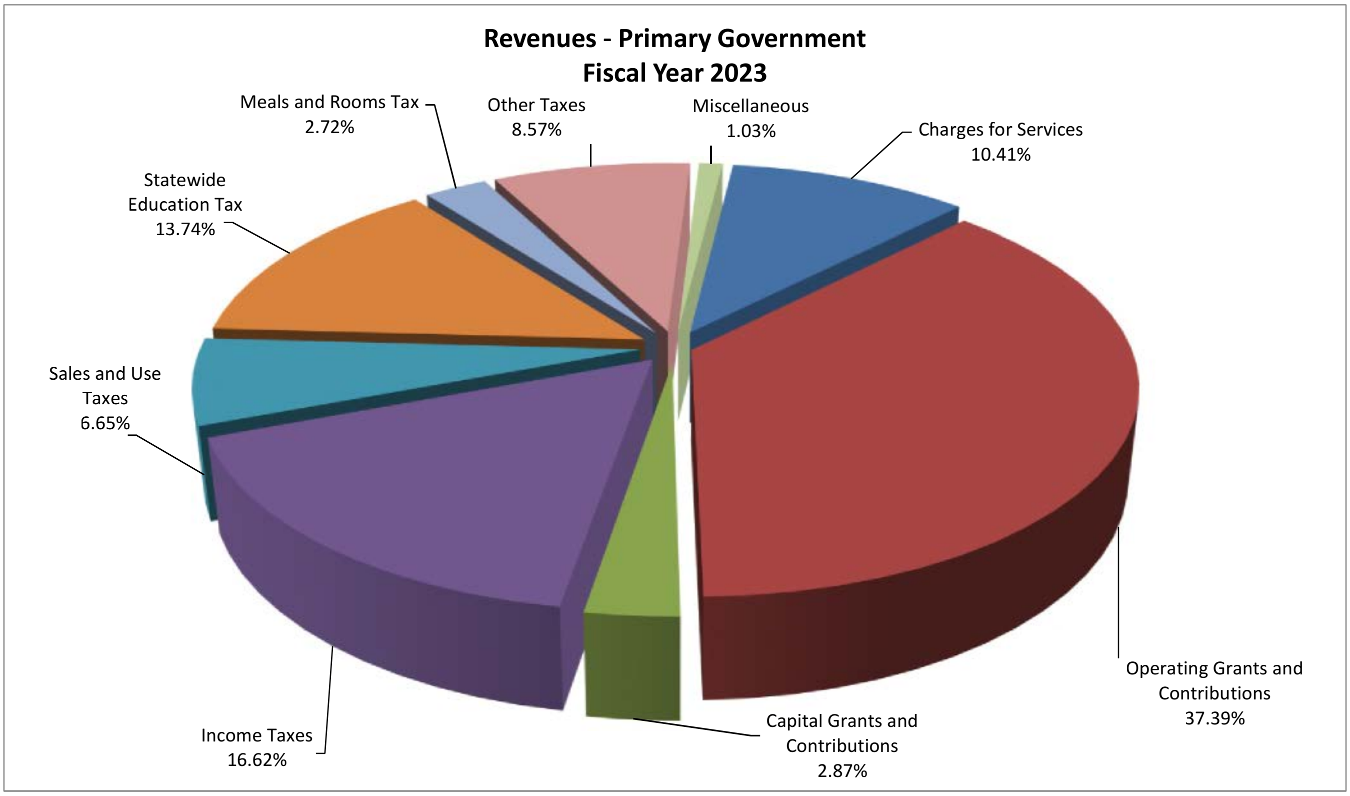
TABLE 3
State of Vermont's Changes in Net Position
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues						
Charges for services	$ 511.3	$ 515.5	$ 400.2	$ 389.0	$ 911.5	$ 904.5
Operating grants and contributions	3,272.1	3,166.1	7.1	95.2	3,279.2	3,261.3
Capital grants and contributions	251.6	193.3	-	-	251.6	193.3
General revenues						
Income taxes	1,455.9	1,500.2	-	-	1,455.9	1,500.2
Sales and use taxes	582.1	550.3	-	-	582.1	550.3
Statewide education tax	1,203.6	1,228.8			1,203.6	1,228.8
Meals and rooms tax	238.5	218.7	-	-	238.5	218.7
Other taxes	750.2	723.3	-	-	750.2	723.3
Miscellaneous	83.6	29.9	1.6	3.9	85.2	33.8
Total revenues	8,348.9	8,126.1	408.9	488.2	8,757.8	8,614.3
Expenses						
General government	297.7	393.2	-	-	297.7	393.2
Protection to persons and property	597.0	632.8	-	-	597.0	632.8
Human services	3,416.3	3,117.7	-	-	3,416.3	3,117.7
Labor	39.3	42.3	-	-	39.3	42.3
General education	2,704.6	2,500.3	-	-	2,704.6	2,500.3
Natural resources	174.5	149.5	-	-	174.5	149.5
Commerce and community development	179.5	213.3	-	-	179.5	213.3
Transportation	550.8	490.4	-	-	550.8	490.4
Interest on long-term debt	13.5	14.4	-	-	13.5	14.4
Unemployment compensation	-	-	53.2	152.0	53.2	152.0
State lottery	-	-	125.9	120.4	125.9	120.4
Liquor control	-	-	82.4	80.8	82.4	80.8
Other business type expenses	-	-	72.9	65.3	72.9	65.3
Total expenses	7,973.2	7,553.9	334.4	418.5	8,307.6	7,972.4
Change in net position before transfers	375.7	572.2	74.5	69.7	450.2	641.9
Transfers net in (out)	55.4	54.8	(55.4)	(54.8)	(0.0)	(0.0)
Change in net position	431.1	627.0	19.1	14.9	450.2	641.9
Net position, beginning of year	306.2	(320.8)	282.4	267.5	588.6	(53.3)
Net position, end of year	$ 737.3	$ 306.2	$ 301.5	$ 282.4	$ 1,038.8	$ 588.6

Totals may not add due to rounding.

The following graph illustrates the revenues of Vermont's primary government for fiscal year 2023. Approximately 40.2% comes from other entities and governments in the form of operating and capital grants and contributions (primarily federal grant revenues), and 30.4% of total revenues are generated by the statewide education and income taxes.

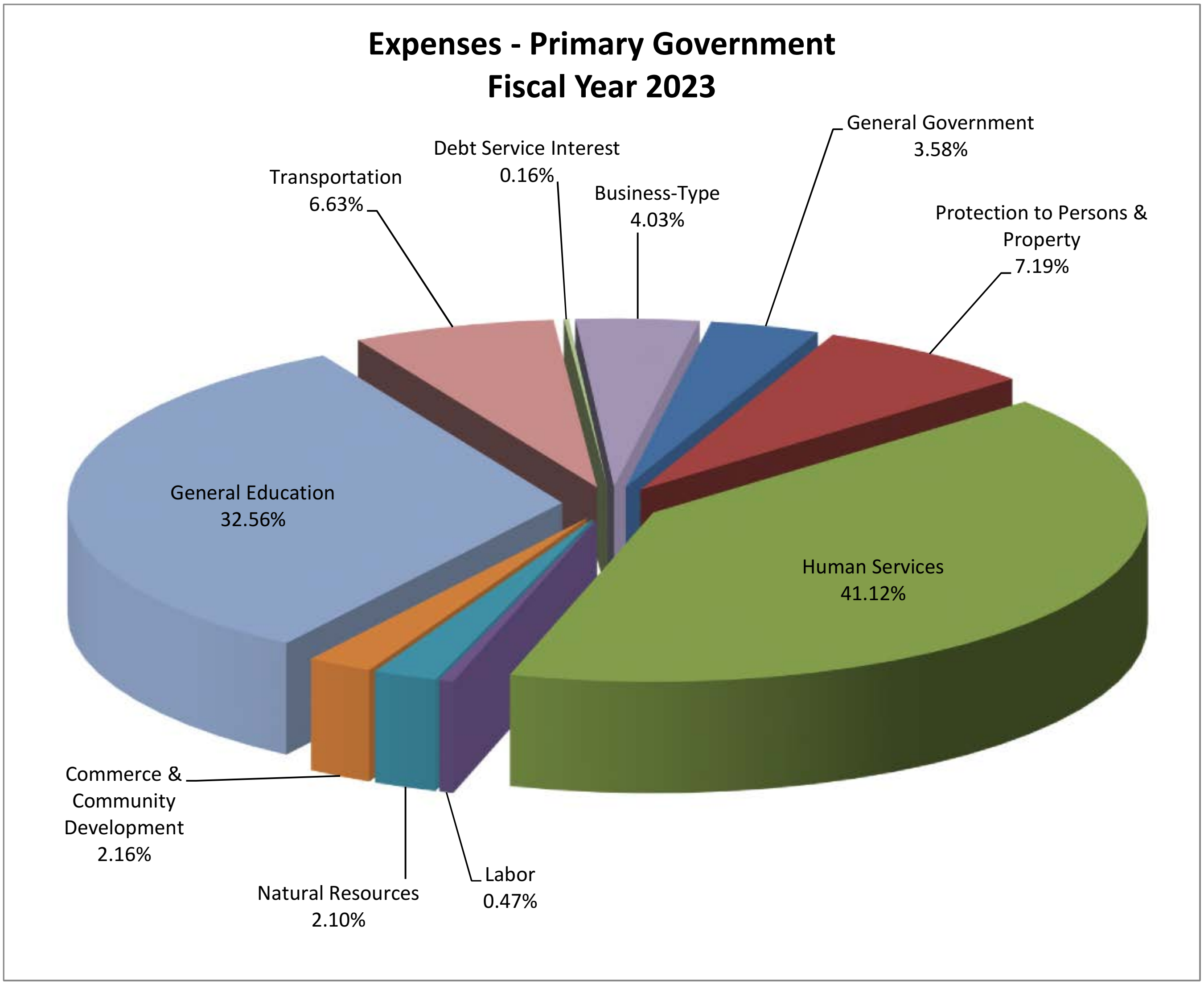
(Chart on next page.)



Percentages may not equal 100% due to rounding.

The following graph illustrates the percentages of total primary government expenses for fiscal year 2023. The largest category of expense is for Human Services (41.1% of total expenses) which provides for Vermont's low-income, elderly care services and persons in state custody in the form of grants for selected services such as food stamps, health care, housing, and child protective services. The second most significant category of expense is for general education (32.6% of total expenses) which supports secondary and higher education.

(Chart on next page.)



Percentages may not equal 100% due to rounding.

Governmental Activities
In 2023, governmental activities' revenues exceeded expenses by $375.7 million (before transfers). This increase in addition to net transfers of $55.4 million from business activities resulted in an increase of $431.1 million, or a 140.8% increase in net position. Revenues increased by $222.8 million, primarily due to increases in program revenues ($160.1 million) and general revenues ($62.7 million). Spending increased for Human Services ($298.6 million), General Education ($204.3 million), Transportation ($60.4 million), and Natural Resources ($25 million); offset by decreases in General Government ($95.5 million), Protection to Persons and Property ($35.8 million), Commerce and Community Development ($33.8 million), and Labor ($3 million).

The following table provides a two-year comparison of governmental activities revenues:

(Table on next page.)

TABLE 4
Revenues - Governmental Activities

Revenue Type	(In Millions) 2023	2022	Change
Charges for services	$ 511.3	$ 515.5	$ (4.2)
Operating grants	3,272.1	3,166.1	106.0
Capital grants	251.6	193.3	58.3
Income taxes	1,455.9	1,500.2	(44.3)
Sales and use taxes	582.1	550.3	31.8
Statewide education tax	1,203.6	1,228.8	(25.2)
Meals and rooms tax	238.5	218.7	19.8
Other taxes	750.2	723.3	26.9
Miscellaneous	83.6	29.9	53.7
Total	$ 8,348.9	$ 8,126.1	$ 222.8

The following table provides a two-year comparison of governmental activities expenses:

TABLE 5
Expenses - Governmental Activities

Functional Category	(In Millions) 2023	2022	Change
General government	$ 297.7	$ 393.2	$ (95.5)
Protection to persons and property	597.0	632.8	(35.8)
Human services	3,416.3	3,117.7	298.6
Labor	39.3	42.3	(3.0)
General education	2,704.6	2,500.3	204.3
Natural resources	174.5	149.5	25.0
Commerce and community development	179.5	213.3	(33.8)
Transportation	550.8	490.4	60.4
Interest on long-term debt	13.5	14.4	(0.9)
Total	$ 7,973.2	$ 7,553.9	$ 419.3

The following table shows to what extent program revenues (charges for services and grants and contributions) covered program expenses. For fiscal year 2023, program revenues covered $4,035 million or 50.6% of $7,973 million in program expenses. The remaining $3,938 million or 49.4% of program expenses was paid for by state taxes and other general revenue.

(Table on next page.)

TABLE 6
Net Program Revenue
For the years ended June 30, 2023 and 2022

	Program Expenses 2023	Less Program Revenues 2023	Net Program (Expense)/Revenue 2023	Net Program (Expense)/Revenue 2022	Program Revenues as a Percentage of Program Expenses 2023	Program Revenues as a Percentage of Program Expenses 2022
Functions/programs						
General government	$ 297,709,564	$ 463,526,256	$ 165,816,692	$ 221,442,513	155.7%	156.3%
Protection to persons and property	597,041,978	426,736,338	(170,305,640)	(326,210,384)	71.5%	48.5%
Human services	3,416,226,267	2,129,839,851	(1,286,386,416)	(1,050,941,544)	62.3%	66.3%
Labor	39,348,689	29,667,296	(9,681,393)	(11,357,288)	75.4%	73.1%
General education	2,704,521,815	292,458,079	(2,412,063,736)	(2,262,105,383)	10.8%	9.5%
Natural resources	174,517,714	109,075,746	(65,441,968)	(52,748,520)	62.5%	64.7%
Commerce and community development	179,497,875	37,095,146	(142,402,729)	(179,372,924)	20.7%	15.9%
Transportation	550,835,109	546,588,484	(4,246,625)	(3,443,117)	99.2%	99.3%
Interest on long-term debt	13,472,916	-	(13,472,916)	(14,279,368)	0.0%	1.2%
	$ 7,973,171,927	$ 4,034,987,196	$(3,938,184,731)	$(3,679,016,015)	50.6%	51.3%

FINANCIAL ANALYSIS OF THE PRIMARY GOVERNMENT'S INDIVIDUAL FUNDS

As noted earlier, the State of Vermont uses fund accounting to account for its ongoing operations and to demonstrate compliance with finance-related legal requirements imposed by legislative mandates as well as externally imposed restrictions.

Governmental Funds

The focus of the state's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the state's financing requirements. In particular, unrestricted (unassigned, assigned, and committed) fund balances may serve as a useful measure of a government's net resources available for spending. At the end of fiscal year 2023, the unrestricted fund balance is 69.7% of the total fund balance of governmental funds, which is available for spending on governmental programs at Vermont's discretion in the coming year. The remainder of this fund balance is restricted or non-spendable to indicate that it is not available for appropriation, such as the principal of Vermont's Permanent Funds, and other items that are non-spendable, such as advances and long-term receivables. At the end of fiscal year 2023, Vermont's governmental funds reported combined fund balances of $2,255 million, an increase of $302.7 million in comparison with the prior fiscal year.

The General Fund is the chief operating fund of Vermont. At the end of fiscal year 2023, the General Fund's total fund balance was $1,064 million, which the majority is unassigned ($960.9 million). During fiscal year 2023, total revenues and other financing sources were greater than total expenditures and other financing uses by $217.3 million. General Fund revenues increased by $87.2 million, or 4.0% primarily due to a $38.1 million increase in tax revenues. Corporate and business income tax activity was the main driver increasing $73.9 million. This is due to both structural changes in the State taxation of corporations and a higher than usual inflationary environment. Meals and rooms tax added $13.1 million, and other taxes contributed $16.5 million primarily due to commencement of the Cannabis tax in fiscal year 2023. Personal income tax, the largest source of tax revenue, was down $65.5 million, due to weakness in personal income tax receipts. Investment income increased from $3.4 million in fiscal year 2022 to $51.4 million in fiscal year 2023 due to the rapid rise in interest rates.

Expenditures decreased by $14.6 million or -1.0%, primarily due to one-time $125 million additional pension payment to the State Teachers' Retirement System in fiscal year 2022; and a $70.7 million reduction in spending by Commerce and Community Development due to the large housing investment made in fiscal year 2022. These reductions were offset by an increase in support of Human Services ($167.7 million). The General Fund's statutory reserve for budgetary stabilization increased by $19.6 million to $106.7 million, the statutory maximum.

The Transportation Fund's total fund balance was $47.7 million at June 30, 2023, a decrease of $7.7 million from the fiscal year 2022's ending total fund balance. Transportation Fund revenues increased $63.5 million or 9.5%, primarily due to increased federal grant revenue for transportation projects, and higher gas prices which increased the motor fuel taxes and assessments. Transportation expenditures increased $96.4 million primarily for transportation projects ($53 million), grants to municipalities ($9.9 million), and salary and benefits ($12.6 million). The Transportation Fund's statutory reserve for budget stabilization increased by $1.5 million to $15.4 million, the statutory maximum.

The Education Fund at June 30, 2023 had a total fund balance of $233.4 million, a decrease of $33.5 million from fiscal year 2022's ending balance. Education Fund expenditures increased by $154.6 million, primarily due to an increase in grants to school districts ($138.9 million). Total revenues increased by $18.3 million, primarily due from increases in the collection of sales and use taxes ($31.8 million) from strong consumer purchasing, and investment income ($5.5 million) due to higher short-term investment rates; offset by a reduction in statewide education taxes ($25.2 million). The Education Fund's statutory reserve for budget stabilization increase by $2.5 million to $41.8 million.

The Special Fund's total fund balance at the end of fiscal year 2023 was $341.2 million, an increase of 78.8% compared to fiscal year 2022. Special Fund revenues increased $87.6 million or 26.8%, and expenditures decreased $24.2 million or -7.5%. The change in revenue is predominantly due to an increase in federal American Rescue Plan Act (ARPA) grant revenue ($45.5 million) to be used for broadband expansion, and investment income ($12.4 million) related to higher short-term investment rates. The decrease in expenditures was largely due to a reduction in Human Services costs of $77.7 million, offset by a $39.3 million increase in spending in the Protection to persons and property function largely due to the increase in broadband spending related to the ARPA grant discussed above. This resulted in an increase in "excess of revenues over expenditures" of $111.9 million from last fiscal year. Fiscal year 2023 transfers out to other funds exceeded transfers in from other funds by $27.2 million, a $2.5 million decrease over fiscal year 2022.

The Federal Revenue Fund accounts for all federal grants except those federal grants that are awarded to the Agency of Transportation (which are included in the Transportation Fund), the Global Commitment to Health Medicaid waiver (which are included in the Global Commitment Fund), an ARPA federal grant to be used for broadband expansion (which is included in the Special Fund), and the Department of Fish and Wildlife (which are included in the Fish and Wildlife Fund, a non-major governmental fund). The Federal Revenue Fund's federal grant revenues for fiscal year 2023 were $1,705 million, a decrease of $44.4 million compared to fiscal year 2022. Expenditures were $1,677 million in fiscal year 2023, a decrease of $56.1 million compared to 2022. The decreases in federal revenues and expenditures are largely due to waning federal pandemic relief and recovery programs that were major contributors to higher levels of federal revenues and expenditures in prior years. The Federal Revenue Fund's total fund balance at the end of fiscal year 2023 ($558.7 million) was an increase of $34.9 million as compared to the total fund balance at the end of fiscal year 2022.

Global Commitment Fund is used to provide services to eligible recipients under the global commitment to health care waiver approved by the Federal Centers for Medicare and Medicaid Services under Section 1115 of the Social Security Act. The fiscal year 2023 ending total fund balance for the Global Commitment Fund was $25.9 million, an increase of $5.5 million. Expenditures increased by $193 million in fiscal year 2023 as compared to fiscal year 2022, due to the increased cost of providing healthcare services under the program.

See Note I, Section C for more information regarding these funds.

Proprietary Funds

Vermont's enterprise funds provide the same type of information presented in the business-type activities in the government-wide financial statements, but in more detail. The Unemployment Compensation Trust Fund's total net position balance increased from $263.6 million at June 30, 2022 to $286.5 million at June 30, 2023, an increase of $22.9 million. Expenditures from the fund for unemployment benefits decreased by $98.7 million (reflecting lower unemployment rates) which was offset by a corresponding decrease in Federal grant revenue of $93 million from 2022.

Vermont's internal service funds' total net position at June 30, 2023 was $14.2 million, a $52.0 million decrease from June 30, 2022. This change is primarily due to decreases in net position in the medical insurance fund ($31.6 million), state liability fund ($13 million), and information technology fund ($6 million). The decrease in the medical fund net position is driven by significant increases in hospital fees and healthcare costs. The State Liability Insurance Fund's deficit is due to the EB-5 Settlement reached at the end of fiscal year 2023, which was not included in current year rates. See Note V. D. for further information on the EB-5 settlement. The internal service funds' activity is combined with the governmental funds' activity in the government-wide financial statements.

Fiduciary Funds

Vermont's fiduciary funds account for resources held for the benefit of parties outside state government. The Pension and Other Postemployment Benefit Trust Funds' net position increased by 8.2% percent to $6.22 billion at June 30, 2023. For more information regarding Vermont's retirement and other postemployment benefit plans, see Note IV.G.5 to the financial statements. The Unclaimed Property fund's total assets balance at June 30, 2023 is $23.7 million, and total liabilities balance is $6.3 million, including the escheat property claims liability estimated at $6.3 million, resulting in ending net position of $17.3 million. The Custodial Funds' total assets balance at June 30, 2023 is $13.2 million, and total liabilities balance is $9.6 million, resulting in an ending net position of $3.6 million. Net position of all fiduciary funds is reported as restricted for particular purposes.

GENERAL FUND BUDGET HIGHLIGHTS

Vermont ended fiscal year 2023 with General Fund revenues of $2.225 billion, expenditures of $1.933 billion, and net transfers to other funds of $38 million (non-GAAP budgetary basis). This was a $101.4 million or a 4.8% increase in revenues over the previous year. The fiscal year 2023 General Fund consensus revenue forecast initially approved by the Emergency Board in July 2022 was subsequently revised upward by the Emergency Board at their January 2023 meeting. Compared to target, the revenues were 7.9% above the 2022 revenue forecast of $2,061 million, and 2% above the 2023 revised revenue forecast of $2,181 million. Corporate income tax receipts were $60 million above target, and meals and rooms tax $3.8 million above target; offset by personal income tax receipts that were $52.6 million below target. The General Fund results allowed for a fully funded General Fund Budget Stabilization Reserve of $106.7 million, representing the statutory maximum of 5% of the prior year appropriations level.

PRIMARY GOVERNMENT'S CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Vermont's investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities as of June 30, 2023 was $3.581 billion, a total increase of 5.0% (Table 7). This investment in capital assets includes land, buildings, improvements, equipment, infrastructure, and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the state, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items. Additional information on Vermont's capital assets can be found in Note IV.E of the notes to the financial statements.

(Table on next page.)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Land, Land Use Rights, and Land Improvements	$ 185,814	$ 170,322	$ -	$ -	$ 185,814	$ 170,322
Construction in Progress	671,615	761,272	-	-	671,615	761,272
Works of Art	136	136	-	-	136	136
Buildings and Improvements	403,388	397,779	-	-	403,388	397,779
Machinery and Equipment	109,839	125,985	2,860	3,309	112,699	129,294
Intangible right-to-use assets	119,798	82,917	5,737	-	125,535	82,917
Infrastructure	2,081,894	1,867,870	-	-	2,081,894	1,867,870
Totals	$ 3,572,484	$ 3,406,281	$ 8,597	$ 3,309	$ 3,581,081	$ 3,409,590

Totals may not add due to rounding.

Many component unit, municipal and non-profit organizations' capital construction projects and acquisitions are financed by Vermont, but the assets are actually owned by these other entities. Therefore, these capital assets are recorded on the financial statements of those entities and not on the books of the state; however, the general obligation bonds issued by Vermont to finance these capital assets are reported as a liability of the state's governmental activities. At June 30, 2023, Vermont had $207.6 million of general obligation bonds outstanding related to capital assets of these other entities.

Debt Administration

Bonded Indebtedness

Vermont has no constitutional or other limit on its power to issue obligations or to incur debt besides borrowing only for public purposes. In 1990, the General Assembly created the Capital Debt Affordability Advisory Committee and made it responsible for overseeing the long-term capital planning for the state. Annually, the General Assembly passes appropriations for capital purposes and authorizes the State Treasurer to issue general obligation bonds to provide the financing for all or a portion of the appropriations. Bonds are backed by the full faith and credit of the State of Vermont, including the state's power to levy additional taxes to ensure repayment of the debt.

During fiscal year 2023, the State of Vermont's outstanding general obligation bond debt decreased by approximately $51.2 million. This decrease can be accounted for by the redemption of general obligation bonds of $51.2 million. Additional information on Vermont's bonded debt is contained in Note IV.G.1 of the notes to the financial statements.

Vermont's general obligation bond ratings are as follows: Aa1 by Moody's Investor Service (since October 2018), AA+ by Standard & Poor's Ratings Services (since September 2000), and AA+ by Fitch Ratings (since July 2019).

ECONOMIC OUTLOOK AND STATE REVENUE OUTLOOK

For fiscal year 2023, Vermont's economy continued to recover from the harsh, pandemic-induced economic downturn that began early in calendar year 2020. During the sharp downturn Vermont's labor markets lost an historically large number of non-farm payroll jobs, estimated at 67,200 jobs lost, or roughly 20% of the labor force. By the end of fiscal year 2023, Vermont had recovered 57,100, or almost 90 percent, of the nonfarm payroll jobs lost during the pandemic. That pace of job recovery was slower than both the New England average and U.S. average.

The state's slower labor market recovery has primarily been tied to the lack of available workers to fill the thousands of job openings available across the State. As of June 30, 2023, the Vermont labor force was still 1.8 percent smaller than the pre-pandemic labor force. Data from the U.S. Department of Labor's Job Openings and

Labor Turnover Survey reported 2.5 job openings per unemployed Vermont worker as of June 2023, as compared to 1.7 job openings per unemployed worker for the nation as a whole.

In calendar year 2022, the national economy as measured by inflation-adjusted Gross Domestic Product (GDP) increased by 5.7 percent, while Vermont's inflation-adjusted Gross State Product (GSP) increased by 9.1 percent, or somewhat higher than the national rate. Recent economic developments have been driven by the push of extraordinary federal fiscal pandemic assistance, and the pull of tightening monetary policy which began in early calendar year 2022 and continued into the summer of 2023.

The latest consensus economic forecast for the next two fiscal years projects the state's economy to grow at broadly the same rate as the U.S. economy during calendar year 2023 and 2024. The forecast expects Vermont payroll job growth to increase 1.9 percent in calendar year 2023 on a year-over-year basis, and slow to an annual average growth rate of 0.8 percent in calendar year 2024 and 1.1 percent in calendar year 2025. Vermont's year-over-year job growth numbers are comparable to the 2.2 percent for the forecasted U.S. economy job growth in calendar year 2023, 0.9 in calendar year 2024, and 0.7 percent in calendar year 2025. Vermont's rate of unemployment is expected to average 2.7 percent in calendar year 2024 and 3.1 percent in calendar year 2025, which is approximately 1 percent lower than the U.S. average over the same timeframe.

In Vermont's housing market, the latest consensus analysis indicates slowing demand, but prices remain high due to low inventory and the recent sharp increase in mortgage interest rates. The latest quarterly Federal Housing Finance Agency (FHFA) house price numbers for the July to September 2023 period showed an increase for Vermont's house prices of 10.9 percent year-over-year, ranking Vermont third highest in the nation. Given the recent strong increase in Vermont housing prices, without a concurrent and sustained increase in household income, the latest consensus forecast expects the housing market will moderate for the rest of calendar year 2023 into calendar year 2024. For calendar year 2025, the FHFA house price index is expected to increase 1.4 percent on a year-over-year basis.

Vermont employs a consensus revenue forecasting process carried out by the Administration and the State Legislature. The consensus economic and state revenue forecasts are updated each July and January and are approved by the Vermont Emergency Board under state statute. In July 2023, the consensus revenue forecast for fiscal year 2024 called for "Revenues Available to the General Fund" to total $2,102.1 million, which is a $78.4 million upgrade for fiscal year 2024 in comparison to the previous January's consensus revenue forecast of $2,023.7 million. For fiscal year 2025, the consensus forecast of "Revenues Available to the General Fund" was $2,103.3 million, an upgrade of $18 million from the previous January's consensus revenue forecast of $2,085.1 million. The July 2023 consensus revenue forecast for "Revenues Available to the Transportation Fund" for fiscal year 2024 was $304.5 million, which was a $3.3 million upgrade for fiscal year 2024 revenue expectations in comparison to the previous January's consensus revenue forecast of $301.2 million. For fiscal year 2025, "Revenues Available to the Transportation Fund" were forecasted to be $322.1 million, a $16 million upgrade from the previous January's consensus revenue forecast of $306.1 million. The July 2023 consensus revenue forecast for "Revenues Available to the Education Fund" for fiscal year 2024 were estimated to be $736.2 million, which corresponded to a $17.8 million upgrade for fiscal year 2024 in comparison to last January's revenue forecast of $718.4 million. For fiscal year 2025, the consensus forecast for "Revenues Available to the Education Fund" was $749.5 million, an increase of $14.9 million from the previous January's consensus revenue forecast of $734.60 million.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the State of Vermont's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

State of Vermont
Department of Finance and Management
109 State Street, 5th Floor
Pavilion Building
Montpelier, Vermont 05609-0401

Component units of the State of Vermont issue their own financial statements. These statements may be obtained by directly contacting them at the addresses found in Note I.A. to the financial statements.

BASIC FINANCIAL STATEMENTS

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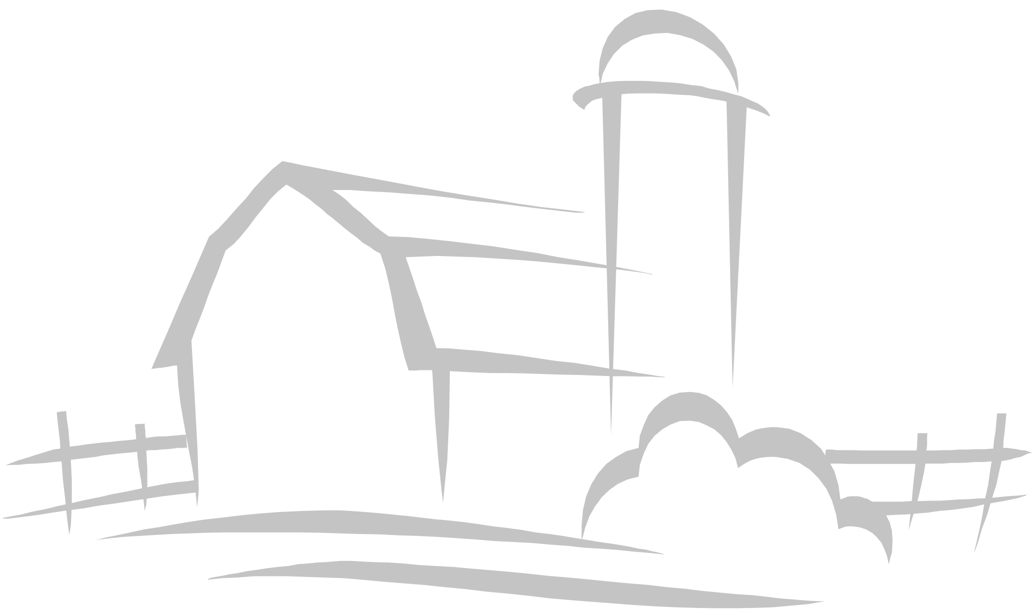

Vermont

GOVERNMENTAL-WIDE
FINANCIAL STATEMENTS

STATE OF VERMONT
STATEMENT OF NET POSITION
June 30, 2023

	Primary Government			Discretely Presented
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Current Assets				
Cash and cash equivalents	$ 1,993,617,166	$ 342,890,133	$ 2,336,507,299	$ 437,005,490
Cash and cash equivalents - restricted	-	-	-	71,470,000
Taxes receivable, net	169,767,789	14,747,742	184,515,531	-
Loans and notes receivable, net	24,979,196	434,601	25,413,797	173,396,390
Federal grants receivable	377,821,204	552,372	378,373,576	13,651,138
Other receivables, net	70,715,459	14,655,680	85,371,139	92,090,574
Lease receivable	1,234,039	-	1,234,039	2,076,000
Investments	861,361,342	-	861,361,342	361,381,739
Inventories	4,292,756	11,931,691	16,224,447	457,862
Internal balances	7,265,925	(7,265,925)	-	-
Due from primary government	-	-	-	145,375,498
Due from component units	9,584,565	-	9,584,565	-
Other current assets	3,744,548	-	3,744,548	24,395,826
Total current assets	3,524,383,989	377,946,294	3,902,330,283	1,321,300,517
Noncurrent Assets				
Cash and equivalents	-	300,000	300,000	23,002,542
Cash and cash equivalents - restricted	-	-	-	45,842,478
Taxes receivable	157,910,453	-	157,910,453	-
Other receivables	106,164,107	-	106,164,107	-
Loans and notes receivable	263,711,986	472,490	264,184,476	1,704,006,080
Lease receivable	3,174,105	-	3,174,105	15,183,000
Advances to component units	5,500,000	-	5,500,000	-
Investments	-	409,189	409,189	1,088,985,940
Investments - restricted	-	-	-	82,544,763
Other noncurrent assets	-	-	-	36,932,142
Capital assets				
Land, land use rights, and land improvements	185,814,443	-	185,814,443	54,692,518
Construction in progress	671,614,507	-	671,614,507	50,185,935
Works of art	136,003	-	136,003	-
Capital assets being depreciated:				
Infrastructure	3,596,183,678	-	3,596,183,678	43,051,021
Intangible right-to-use assets	165,590,262	6,289,604	171,879,866	34,307,444
Property, plant and equipment	1,420,098,092	6,110,632	1,426,208,724	1,700,277,760
Less accumulated depreciation	(2,466,953,319)	(3,803,637)	(2,470,756,956)	(957,785,856)
Total capital assets, net of depreciation	3,572,483,666	8,596,599	3,581,080,265	924,728,822
Total noncurrent assets	4,108,944,317	9,778,278	4,118,722,595	3,921,225,767
Total assets	7,633,328,306	387,724,572	8,021,052,878	5,242,526,284
DEFERRED OUTFLOWS OF RESOURCES				
Loss on refunding of bonds payable	2,155,751	-	2,155,751	23,056,593
Interest rate swap	-	-	-	11,000
VHCB related deferred outflows	-	-	-	28,639,000
Pension related outflows	974,895,286	2,288,726	977,184,012	4,754,558
OPEB related outflows	400,590,035	9,223,309	409,813,344	90,940,686
Total deferred outflows of resources	1,377,641,072	11,512,035	1,389,153,107	147,401,837

The accompanying notes are an integral part of these financial statements.

	Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Discretely Presented Component Units
LIABILITIES				
Current Liabilities				
Accounts payable and other current liabilities	513,221,541	19,907,485	533,129,026	222,221,663
Income tax refunds payable	137,991,935	-	137,991,935	-
Due to primary government	-	-	-	9,584,565
Due to component units	145,375,498	-	145,375,498	-
Intergovernmental payable - due to federal government	8,650,275	-	8,650,275	-
Accrued interest payable	8,149,358	-	8,149,358	6,351,809
Current portion of long-term liabilities	178,372,934	10,426,584	188,799,518	162,837,682
Unearned revenue	754,784,771	34,662,583	789,447,354	111,468,270
Total current liabilities	1,746,546,312	64,996,652	1,811,542,964	512,463,989
Long-term Liabilities				
Lottery prize awards payable	-	285,777	285,777	-
Bonds, and notes payable	509,238,237	-	509,238,237	2,035,888,732
Lease liabilities	65,482,954	-	65,482,954	14,839,177
Subscription-based information technology arrangements (SBITA's)	12,345,166	4,458,990	16,804,156	1,739,631
Advances from primary government	-	-	-	5,500,000
Compensated absences	3,818,301	61,312	3,879,613	-
Claims and judgments	44,560,760	-	44,560,760	-
Net pension liabilities	3,037,959,823	4,461,219	3,042,421,042	10,071,608
Net other postemployment benefits liabilities	1,502,996,907	5,366,521	1,508,363,428	332,939,328
Other long-term liabilities	22,779,050	3,782,878	26,561,928	21,705,553
Total long-term liabilities	5,199,181,198	18,416,697	5,217,597,895	2,422,684,029
Total liabilities	6,945,727,510	83,413,349	7,029,140,859	2,935,148,018
DEFERRED INFLOWS OF RESOURCES				
Prepaid property taxes	3,772,562	-	3,772,562	-
Gain on refunding of bonds payable	42,615	-	42,615	5,846,000
Lease related inflows	4,638,677	-	4,638,677	16,053,076
Interest rate swap	-	-	-	333,000
Service concession arrangement	-	-	-	642,000
Split interest arrangements	-	-	-	5,027,000
Pension related inflows	59,994	2,031,362	2,091,356	5,396,619
OPEB related inflows	1,319,378,181	12,323,940	1,331,702,121	389,458,867
Total deferred inflows of resources	1,327,892,029	14,355,302	1,342,247,331	422,756,562
NET POSITION				
Net investment in capital assets	3,113,017,419	3,619,270	3,116,636,689	274,710,629
Restricted for				
Unemployment compensation	-	286,544,743	286,544,743	-
Funds held in permanent investments				
Expendable	127,944	-	127,944	531,906,619
Nonexpendable	7,416,453	-	7,416,453	437,169,443
General government	1,520,627	-	1,520,627	11,613,397
Protection to persons and property	12,861,580	13,759,333	26,620,913	-
Human services	157,617,401	-	157,617,401	1,980,092
Labor	3,650,172	-	3,650,172	-
General education	-	-	-	66,459,000
Natural resources	487,636,395	-	487,636,395	-
Commerce and community development	11,439	-	11,439	592,700,285
Transportation	9,022,018	-	9,022,018	-
Capital projects	1,647,488	-	1,647,488	-
Unrestricted (deficit)	(3,057,179,097)	(2,455,390)	(3,059,634,487)	115,484,076
Total net position	$ 737,349,839	$ 301,467,956	$ 1,038,817,795	$ 2,032,023,541

STATE OF VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

		Program Revenues		
	Expenses	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
FUNCTIONS/PROGRAMS				
Primary Government				
Governmental activities				
General government……………………………	$ 297,709,564	$ 75,806,448	$ 387,719,808	$ -
Protection to persons and property………..	597,041,978	184,643,488	242,092,850	-
Human services………………………………	3,416,226,267	59,817,456	2,070,022,395	-
Labor…………………………………………..	39,348,689	5,340,944	24,326,352	-
General education……………………………	2,704,521,815	1,316,862	291,141,217	-
Natural resources…………………………….	174,517,714	48,097,718	60,978,028	-
Commerce and community development….	179,497,875	662,559	36,432,587	-
Transportation……………………………….	550,835,109	135,589,559	159,430,934	251,567,991
Interest on long-term debt………………….	13,472,916	-	-	-
Total governmental activities………….	7,973,171,927	511,275,034	3,272,144,171	251,567,991
Business-type activities				
State Lottery……………………………………	125,918,251	159,021,096	-	-
Liquor Control……………………………….	82,367,605	104,960,412	-	-
Unemployment Compensation…………….	53,191,471	68,216,776	7,073,792	-
Electric power sales and efficiency………..	72,134,535	67,253,597	-	-
Federal surplus property…………………….	758,319	766,123	-	-
Total business-type activities…………	334,370,181	400,218,004	7,073,792	-
Total primary government…………………	$ 8,307,542,108	$ 911,493,038	$ 3,279,217,963	$ 251,567,991
Component Units				
Vermont Student Assistance Corporation…….	$ 72,939,000	$ 32,882,000	$ 42,616,000	$ -
University of Vermont and State Agricultural College…………………..	744,427,000	475,922,000	372,519,000	18,124,000
Vermont State Colleges…………………………	197,421,749	102,982,754	112,244,982	3,701,024
Vermont Housing Finance Agency…………….	48,425,000	14,348,000	32,201,000	-
Other………………………………………………	111,177,900	61,118,405	106,679,070	-
Total component units………………………	$ 1,174,390,649	$ 687,253,159	$ 666,260,052	$ 21,825,024

General Revenues
Taxes
Personal and corporate income……………
Sales and use…………………………………
Meals and rooms……………………………
Purchase and use……………………………
Motor fuel……………………………………
Statewide education…………………………
Other taxes……………………………………
Total taxes…………………………………
Investment earnings/(loss)……………………
Tobacco litigation settlement…………………
Miscellaneous…………………………………
Additions to non-expendable endowments……..
Transfers……………………………………………
Total general revenues and transfers……….
Changes in net position………………………
Net Position - Beginning, as restated…………..
Net Position - Ending……………………………

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Discretely Presented Component Units
Governmental Activities	Business-type Activities	Total	
$ 165,816,692	$ -	$ 165,816,692	$ -
(170,305,640)	-	(170,305,640)	-
(1,286,386,416)	-	(1,286,386,416)	-
(9,681,393)	-	(9,681,393)	-
(2,412,063,736)	-	(2,412,063,736)	-
(65,441,968)	-	(65,441,968)	-
(142,402,729)	-	(142,402,729)	-
(4,246,625)	-	(4,246,625)	-
(13,472,916)	-	(13,472,916)	-
(3,938,184,731)	-	(3,938,184,731)	-
-	33,102,845	33,102,845	-
-	22,592,807	22,592,807	-
-	22,099,097	22,099,097	-
-	(4,880,938)	(4,880,938)	-
-	7,804	7,804	-
-	72,921,615	72,921,615	-
(3,938,184,731)	72,921,615	(3,865,263,116)	-
-	-	-	2,559,000
-	-	-	122,138,000
-	-	-	21,507,011
-	-	-	(1,876,000)
-	-	-	56,619,575
-	-	-	200,947,586
1,455,887,239	-	1,455,887,239	-
582,101,290	-	582,101,290	-
238,452,226	-	238,452,226	-
141,916,220	-	141,916,220	-
75,989,136	-	75,989,136	-
1,203,613,372	-	1,203,613,372	-
532,341,828	-	532,341,828	21,128,985
4,230,301,311	-	4,230,301,311	21,128,985
55,228,437	1,522,711	56,751,148	72,682,080
27,916,878	-	27,916,878	-
492,581	43,942	536,523	2,567,210
-	-	-	3,108,921
55,442,497	(55,442,497)	-	-
4,369,381,704	(53,875,844)	4,315,505,860	99,487,196
431,196,973	19,045,771	450,242,744	300,434,782
306,152,866	282,422,185	588,575,051	1,731,588,759
$ 737,349,839	$ 301,467,956	$ 1,038,817,795	$ 2,032,023,541

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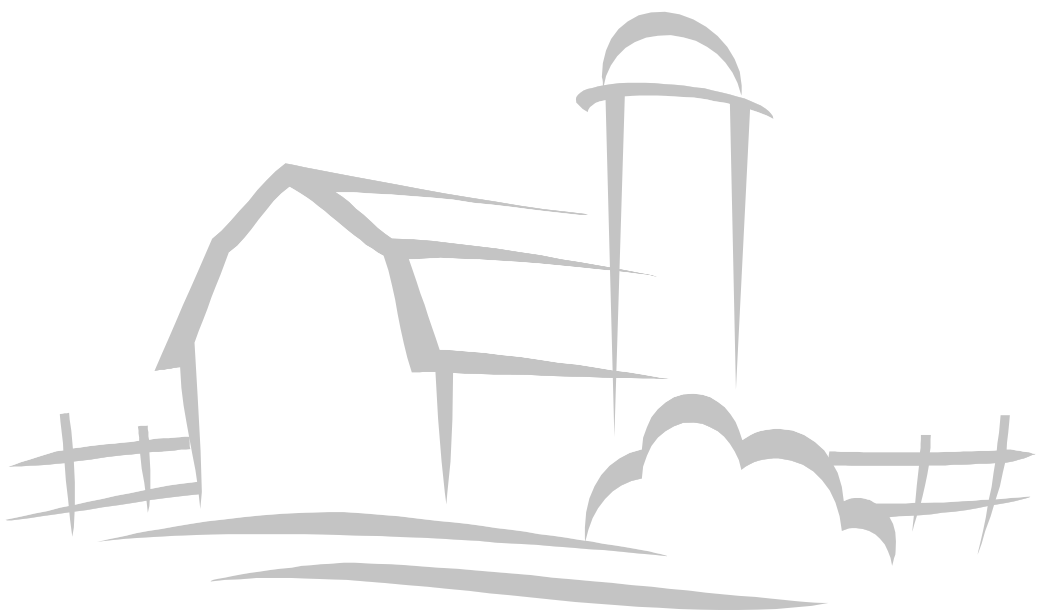

Vermont

GOVERNMENTAL FUNDS
FINANCIAL STATEMENTS

STATE OF VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

	General Fund	Transportation Fund	Education Fund	Special Fund
ASSETS				
Cash and cash equivalents	$ 445,838,229	$ 7,043,065	$ 239,786,875	$ 432,795,989
Investments	670,845,504	-	-	3,777,332
Receivables				
Taxes receivable, net	257,773,666	413,217	67,359,346	2,131,967
Accrued interest receivable	2,369,863	112,579	-	2,894
Notes and loans receivable	21,562,389	2,100,712	-	2,914,239
Other receivables, net	24,118,149	7,815,451	570,970	81,775,174
Lease receivable	-	2,859,216	-	430,691
Intergovernmental receivables - federal government, net	-	101,916,367	-	-
Due from other funds	1,217,652	11,872	1,557,611	8,322,085
Due from component units	9,584,565	-	-	-
Interfund receivable	114,831,668	-	-	-
Advances to other funds	300,000	-	-	-
Advances to component units	5,500,000	-	-	-
Total assets	$ 1,553,941,685	$ 122,272,479	$ 309,274,802	$ 532,150,371
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 54,378,708	$ 55,528,748	$ 51,820,613	$ 25,077,981
Accrued liabilities	17,320,829	4,745,331	-	5,718,825
Retainage payable	330,350	78,660	48,532	443,285
Due to other funds	74,127,647	3,184,667	4,914	2,120,995
Due to component units	126,193,806	-	14,268,480	-
Intergovernmental payable - federal government	-	-	-	-
Tax refunds payable	32,575,661	-	346,025	62,045
Interfund payable	-	-	-	-
Unearned revenue	-	144,613	-	88,092,623
Total liabilities	304,927,001	63,682,019	66,488,564	121,515,754
DEFERRED INFLOWS OF RESOURCES				
Prepaid property taxes	-	-	3,772,562	-
Unavailable revenue	184,700,313	7,803,335	5,594,661	68,952,501
Leases	-	3,071,173	-	446,648
Total deferred inflows of resources	184,700,313	10,874,508	9,367,223	69,399,149
FUND BALANCES				
Nonspendable				
Advances	5,800,000	-	-	-
Long-term receivables	45,073,706	-	-	-
Permanent fund principal	-	-	-	-
Restricted	-	9,014,297	-	28,379,457
Committed	-	38,701,655	233,419,015	340,306,817
Assigned	52,491,072	-	-	-
Unassigned	960,949,593	-	-	(27,450,806)
Total fund balances	1,064,314,371	47,715,952	233,419,015	341,235,468
Total liabilities, deferred inflows and fund balances	$ 1,553,941,685	$ 122,272,479	$ 309,274,802	$ 532,150,371

The accompanying notes are an integral part of these financial statements.

Federal Revenue Fund	Global Commitment Fund	Non-major Governmental Funds	Eliminations	Total Governmental Funds
$ 764,347,946	$ 13,809	$ 19,764,336	$ -	$ 1,909,590,249
144,827,024	-	41,911,482	-	861,361,342
-	-	46	-	327,678,242
1,212,516	-	347	-	3,698,199
259,819,100	-	-	-	286,396,440
4,248,489	37,546,999	74,952	-	156,150,184
-	-	75,810	-	3,365,717
183,029,021	92,875,816	-	-	377,821,204
998,506	69,070,790	14,732	(77,753,476)	3,439,772
-	-	-	-	9,584,565
-	-	-	-	114,831,668
-	-	-	-	300,000
-	-	-	-	5,500,000
$ 1,358,482,602	$ 199,507,414	$ 61,841,705	$ (77,753,476)	$ 4,059,717,582
$ 103,718,145	$ 159,288,642	$ 4,048,865	$ -	$ 453,861,702
8,113,762	1,250,711	617,495	-	37,766,953
1,962,529	-	2,984,152	-	5,847,508
10,547,656	1,317,122	267,144	(77,753,476)	13,816,669
59,051	-	4,854,161	-	145,375,498
8,650,275	-	-	-	8,650,275
-	-	-	-	32,983,731
-	-	65,632,915	-	65,632,915
666,369,131	-	83,299	-	754,689,666
799,420,549	161,856,475	78,488,031	(77,753,476)	1,518,624,917
-	-	-	-	3,772,562
315,811	11,711,677	18,853	-	279,097,151
-	-	98,330	-	3,616,151
315,811	11,711,677	117,183	-	286,485,864
-	-	-	-	5,800,000
-	-	-	-	45,073,706
-	-	7,416,453	-	7,416,453
558,746,242	25,939,262	1,775,432	-	623,854,690
-	-	50,436,159	-	662,863,646
-	-	-	-	52,491,072
-	-	(76,391,553)	-	857,107,234
558,746,242	25,939,262	(16,763,509)	-	2,254,606,801
$ 1,358,482,602	$ 199,507,414	$ 61,841,705	$ (77,753,476)	$ 4,059,717,582

STATE OF VERMONT
RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO THE STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
June 30, 2023

Total fund balances from previous page………………………………………………………………..	$	2,254,606,801
Capital assets used in governmental activities (net of internal service funds' capital assets) are not considered financial resources for fund perspective reporting and, therefore, are not reported in the funds [1] …………………………………………………………………………………		3,445,912,527
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to certain funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position…………………………………………………………………………………		14,815,235
Amounts presented in the statement of net position relating to, but not in fund balances due to a different basis of accounting [1] …………………………………………………………………		337,257,433
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not considered financial liabilities for fund perspective reporting, and therefore are not reported in the funds [1] ……………………………………………		(5,315,242,157)
Net position of governmental activities…………………………………………………………………	$	737,349,839

[1] Additional information on these amounts can be found in Note II. A.

The accompanying notes are an integral part of these financial statements.

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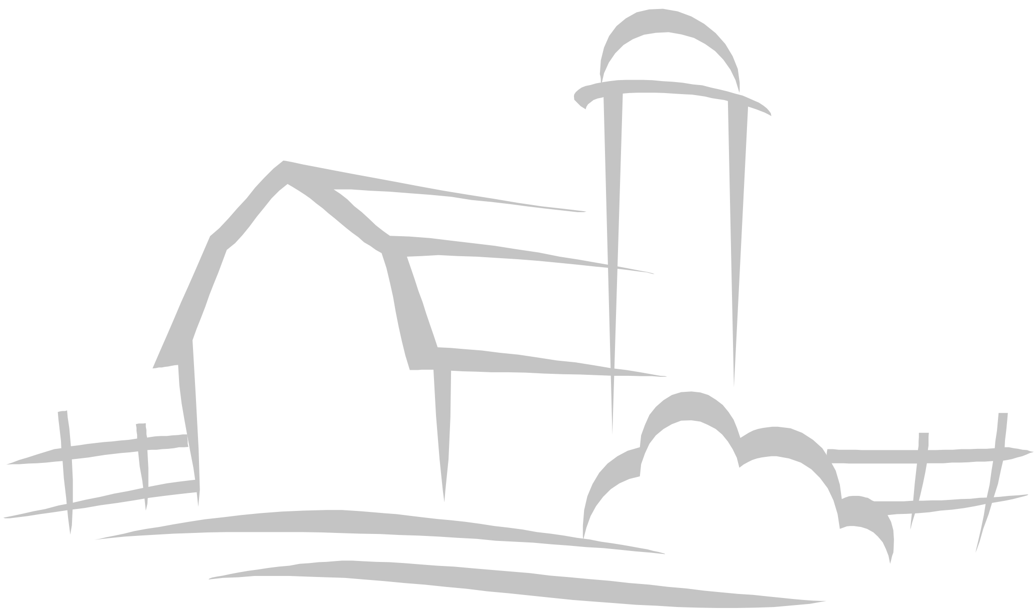

Vermont

STATE OF VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	General Fund	Transportation Fund	Education Fund	Special Fund
REVENUES				
Taxes				
Personal income tax	$ 1,216,870,565	$ -	$ -	$ 613,733
Corporate income tax	289,594,566	-	-	465,355
Sales and use tax	1,044	-	582,455,657	224,219
Meals and rooms tax	164,746,005	-	59,668,505	14,399,977
Motor fuels tax	-	73,840,753	-	1,337,404
Purchase and use tax	-	94,584,660	47,331,560	-
Statewide education tax	-	-	1,203,613,372	-
Other taxes	459,244,624	19,897,952	3,203,901	47,323,758
Earnings of departments				
Fees	45,227,918	28,299,132	-	117,130,115
Rents and leases	-	2,052,387	-	5,807,292
Sales of services	3,775,774	2,504	-	14,360,671
Federal grants	-	410,056,600	-	45,369,596
Fines, forfeits and penalties	2,679,897	2,399,061	-	10,056,063
Investment income/(loss)	51,368,531	942,322	5,776,510	12,197,082
Licenses				
Business	568,569	609,046	-	36,235,006
Non-business	70,755	95,530,130	-	3,118,360
Special assessments	25,255,919	-	-	25,878,288
Other revenues	7,774,183	2,861,765	-	80,647,519
Total revenues	2,267,178,350	731,076,312	1,902,049,505	415,164,438
EXPENDITURES				
General government	112,002,934	4,152,737	-	16,724,966
Protection to persons and property	211,803,461	21,566,695	-	145,689,759
Human services	642,352,603	-	-	30,185,382
Labor	4,114,040	-	-	3,911,130
General education	340,959,815	-	1,979,268,552	18,818,159
Natural resources	46,204,332	-	-	56,341,383
Commerce and community development	65,059,236	-	-	13,833,675
Transportation	14,735,006	705,764,532	-	4,082,703
Capital outlay	11,599,001	1,712,369	379,542	7,245,856
Debt service	3,906,652	769,751	191,148	2,394,770
Total expenditures	1,452,737,080	733,966,084	1,979,839,242	299,227,783
Excess of revenues over (under) expenditures	814,441,270	(2,889,772)	(77,789,737)	115,936,655
OTHER FINANCING SOURCES (USES)				
Leases issued	2,465,209	29,663	-	-
SBITA's issued	8,352,632	1,613,910	379,542	7,225,573
Transfers in	64,086,348	721,241	43,884,955	105,133,893
Transfers out	(672,002,678)	(7,154,094)	-	(77,928,096)
Total other financing sources (uses)	(597,098,489)	(4,789,280)	44,264,497	34,431,370
Net change in fund balances	217,342,781	(7,679,052)	(33,525,240)	150,368,025
Fund balances, July 1	846,971,590	55,395,004	266,944,255	190,867,443
Fund balances, June 30	$ 1,064,314,371	$ 47,715,952	$ 233,419,015	$ 341,235,468

The accompanying notes are an integral part of these statements.

Federal Revenue Fund	Global Commitment Fund	Non-major Governmental Funds	Eliminations	Total Governmental Funds
$ -	$ -	$ -	$ -	$ 1,217,484,298
-	-	-	-	290,059,921
-	-	-	-	582,680,920
-	-	-	-	238,814,487
-	-	810,979	-	75,989,136
-	-	-	-	141,916,220
-	-	-	-	1,203,613,372
-	-	-	-	529,670,235
-	-	155,321	-	190,812,486
-	-	45,021	-	7,904,700
-	-	45	-	18,138,994
1,705,094,658	1,301,087,107	8,837,673	-	3,470,445,634
-	-	9,658	-	15,144,679
7,919,380	-	3,800,720	-	82,004,545
-	-	570	-	37,413,191
-	-	7,895,711	-	106,614,956
-	-	-	-	51,134,207
3,134,419	22,433,016	3,269,806	-	120,120,708
1,716,148,457	1,323,520,123	24,825,504	-	8,379,962,689
129,876,068	-	-	-	262,756,705
205,740,605	-	-	-	584,800,520
836,820,376	1,862,955,976	-	-	3,372,314,337
32,059,884	-	-	-	40,085,054
305,234,115	610,049	-	-	2,644,890,690
42,885,398	-	21,475,009	-	166,906,122
95,387,478	-	-	-	174,280,389
4,582,429	-	-	-	729,164,670
18,938,398	28,775	64,306,115	-	104,210,056
4,998,596	92,783	73,558,513	-	85,912,213
1,676,523,347	1,863,687,583	159,339,637	-	8,165,320,756
39,625,110	(540,167,460)	(134,514,133)	-	214,641,933
37,943	-	-	-	2,532,815
15,058,133	28,775	-	-	32,658,565
5,753,070	573,496,227	77,321,147	(814,954,384)	55,442,497
(25,565,873)	(27,854,442)	(7,007,044)	814,954,384	(2,557,843)
(4,716,727)	545,670,560	70,314,103	-	88,076,034
34,908,383	5,503,100	(64,200,030)	-	302,717,967
523,837,859	20,436,162	47,436,521	-	1,951,888,834
$ 558,746,242	$ 25,939,262	$ (16,763,509)	$ -	$ 2,254,606,801

STATE OF VERMONT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Total net change in fund balances from the previous page	**$**	**302,717,967**
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period (net of internal service funds) [(1)]		165,704,742
Repayment of bond, lease, and SBITA principal is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position (net of internal service funds) [(1)]		63,394,550
Bond, lease, and SBITA proceeds provide current financial resources to the to the governmental funds, but issuing debt, leases, and SBITA's increases long-term liabilities in the statement of net position (net of internal service funds) [(1)]		(25,532,027)
Receivables in the governmental funds that are not available to provide current financial resources are not reported as revenues in the governmental funds		(31,958,834)
Estimated personal income tax refunds that are not due and payable are not reported as governmental fund liabilities		(9,752,715)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds [(1)]		18,111,697
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities		(51,488,407)
Total changes in net position of governmental activities as reported on the statement of activities	**$**	**431,196,973**

[(1)] Additional information on these amounts can be found in Note II. B.

The accompanying notes are an integral part of these financial statements.

PROPRIETARY FUNDS
FINANCIAL STATEMENTS

STATE OF VERMONT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2023

	Business-type Activities-Enterprise Funds		
	Unemployment Compensation Trust Fund	**Liquor Control Fund**	**State Lottery Fund**
ASSETS			
Current Assets			
Cash and cash equivalents	$ 309,119,010	$ -	$ 6,787,681
Receivables			
Taxes receivable, net of allowance for uncollectibles	14,747,742	-	-
Accounts receivable, net of allowance for uncollectibles	727,592	2,023,724	3,030,292
Loans receivable	-	-	-
Lease receivable	-	-	-
Accrued interest receivable	-	-	-
Due from other funds	-	-	-
Intergovernmental receivables - federal government	552,372	-	-
Inventories	-	11,254,999	676,692
Prepaid expenses	-	-	-
Total current assets	325,146,716	13,278,723	10,494,665
Noncurrent Assets			
Investments	-	-	409,189
Loans receivable	-	-	-
Lease receivable	-	-	-
Imprest cash and change fund - advances	-	-	300,000
Total noncurrent assets	-	-	709,189
Capital Assets			
Land	-	-	-
Construction in progress	-	-	-
Works of art	-	-	-
Capital assets being depreciated/amortized:			
Intangible right-to-use assets	-	91,570	6,198,034
Machinery, equipment and buildings	-	5,787,669	322,963
Less accumulated depreciation	-	(3,129,544)	(674,093)
Total capital assets, net of depreciation	-	2,749,695	5,846,904
Total noncurrent and capital assets	-	2,749,695	6,556,093
Total assets	325,146,716	16,028,418	17,050,758
DEFERRED OUTFLOWS OF RESOURCES			
Pension related outflows	-	1,590,237	698,489
OPEB related outflows	-	6,317,533	2,905,776
Total deferred outflows of resources	-	7,907,770	3,604,265

Business-type Activities-Enterprise Funds			Governmental Activities
Non-major Enterprise Funds	Eliminations	Total Enterprise Funds	Total Internal Service Funds
$ 26,983,442	$ -	$ 342,890,133	$ 80,526,917
-	-	14,747,742	-
8,870,021	-	14,651,629	21,228,978
434,601	-	434,601	590,928
-	-	-	381,404
4,051	-	4,051	967
504,653	(504,653)	-	13,997,618
-	-	552,372	-
-	-	11,931,691	4,292,756
-	-	-	3,744,548
36,796,768	(504,653)	385,212,219	124,764,116
-	-	409,189	-
472,490	-	472,490	1,703,814
-	-	-	661,023
-	-	300,000	3,500,000
472,490	-	1,181,679	5,864,837
-	-	-	26,156
-	-	-	2,716,334
-	-	-	8,200
-	-	6,289,604	113,672,607
-	-	6,110,632	126,348,723
-	-	(3,803,637)	(116,200,881)
-	-	8,596,599	126,571,139
472,490	-	9,778,278	132,435,976
37,269,258	(504,653)	394,990,497	257,200,092
-	-	2,288,726	-
-	-	9,223,309	-
-	-	11,512,035	-

continued on next page

STATE OF VERMONT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2023

	Business-type Activities-Enterprise Funds		
	Unemployment Compensation Trust Fund	**Liquor Control Fund**	**State Lottery Fund**
LIABILITIES			
Current Liabilities			
Accounts payable	-	7,150,609	830,844
Accrued salaries and benefits	-	390,364	220,791
Claims payable	1,482,102	-	-
Due to agents	-	394,896	-
Due to other funds	502,247	187,945	1,621,918
Interfund payable	-	4,387,384	-
Future and unclaimed prizes payable	-	-	8,171,782
Unearned revenue	34,422,373	18,574	221,636
Lease liabilities	-	-	-
SBITA liabilities	-	-	518,339
Other current liabilities	2,195,251	-	-
Total current liabilities	38,601,973	12,529,772	11,585,310
Long-term Liabilities			
Due to lottery winners	-	-	285,777
Claims payable	-	-	-
Advances from other funds	-	-	300,000
Lease liabilities	-	-	-
SBITA liabilities	-	-	4,458,990
Net pension liabilities	-	3,148,617	1,312,602
Net other postemployment benefits liabilities	-	3,781,660	1,584,861
Other noncurrent liabilities	-	37,958	23,354
Total long-term liabilities	-	6,968,235	7,965,584
Total liabilities	38,601,973	19,498,007	19,550,894
DEFERRED INFLOWS OF RESOURCES			
Leases	-	-	-
Pension related inflows	-	1,566,004	465,358
OPEB related inflows	-	8,752,280	3,571,660
Total deferred inflows of resources	-	10,318,284	4,037,018
NET POSITION			
Net investment in capital assets	-	2,749,695	869,575
Restricted for unemployment compensation benefits	286,544,743	-	-
Restricted for protection to persons and property	-	-	-
Unrestricted (deficit)	-	(8,629,798)	(3,802,464)
Total net position	$ 286,544,743	$ (5,880,103)	$ (2,932,889)

The accompanying notes are an integral part of these statements.

Business-type Activities-Enterprise Funds			Governmental Activities
Non-major Enterprise Funds	Eliminations	Total Enterprise Funds	Total Internal Service Funds
7,013,107	-	14,994,560	16,626,242
537	-	611,692	7,382,697
-	-	1,482,102	47,973,883
-	-	394,896	-
-	(504,653)	1,807,457	43,938
180,417	-	4,567,801	44,541,769
-	-	8,171,782	-
-	-	34,662,583	95,105
-	-	-	11,110,148
-	-	518,339	2,025,544
1,965,447	-	4,160,698	680,485
9,159,508	(504,653)	71,371,910	130,479,811
-	-	285,777	-
-	-	-	44,560,760
-	-	300,000	-
-	-	-	63,863,567
-	-	4,458,990	1,021,276
-	-	4,461,219	-
-	-	5,366,521	-
3,782,878	-	3,844,190	2,027,584
3,782,878	-	18,716,697	111,473,187
12,942,386	(504,653)	90,088,607	241,952,998
-	-	-	1,022,526
-	-	2,031,362	-
-	-	12,323,940	-
-	-	14,355,302	1,022,526
-	-	3,619,270	48,550,604
-	-	286,544,743	-
13,759,333	-	13,759,333	-
10,567,539	-	(1,864,723)	(34,326,036)
$ 24,326,872	$ -	302,058,623	$ 14,224,568

Adjustment to reflect the consolidation of internal service activities related to enterprise funds……………………………	(590,667)
Net Position - Business-type Activities……..	$ 301,467,956

STATE OF VERMONT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Business-type Activities-Enterprise Funds		
	Unemployment Compensation Trust Fund	**Liquor Control Fund**	**State Lottery Fund**
OPERATING REVENUES			
Charges for sales and services	$ 68,216,776	$ 98,182,636	$ -
Ticket sales	-	-	159,017,096
Rental income	-	-	-
License fees	-	1,951,900	-
Federal donated properties	-	-	-
Other operating revenues	-	4,825,876	4,000
Total operating revenues	68,216,776	104,960,412	159,021,096
OPERATING EXPENSES			
Cost of sales and services	-	62,653,896	121,647,632
Claims expenses	52,394,139	-	-
Salaries and benefits	-	3,485,903	1,963,208
Insurance premium expenses	-	52,098	12,352
Contractual services	-	56,933	199,685
Repairs and maintenance	-	107,003	16,896
Depreciation	-	681,954	486,671
Rental expenses	-	212,964	153,513
Utilities and property management	-	3,221,061	407,759
Non-capital equipment purchased	-	-	27,979
Promotions and advertising	-	55,738	590,007
Administration expenses	-	266,436	48,572
Supplies and parts	-	263,513	32,491
Distribution and postage	-	11,935	11,376
Travel	-	6,813	1,892
Other operating expenses	-	10,869,598	178,742
Total operating expenses	52,394,139	81,945,845	125,778,775
Operating income (loss)	15,822,637	23,014,567	33,242,321
NONOPERATING REVENUES (EXPENSES)			
Federal grants	2,478,215	-	-
Gain/(loss) on disposal of capital assets	-	22,670	-
Investment income/(loss)	4,595,577	-	356,928
Interest expense	-	-	(35,045)
Total nonoperating revenues (expenses)	7,073,792	22,670	321,883
Income (loss) before other revenues, expenses, gains, losses, and transfers	22,896,429	23,037,237	33,564,204
OTHER REVENUES, EXPENSES, GAINS, LOSSES, AND TRANSFERS			
Capital contributions	-	-	21,272
Transfers in	-	-	-
Transfers out	-	(20,498,419)	(33,564,201)
Total other revenues, expenses, gains, losses, and transfers	-	(20,498,419)	(33,542,929)
Changes in net position	22,896,429	2,538,818	21,275
Total net position, July 1,	263,648,314	(8,418,921)	(2,954,164)
Total net position June 30	$ 286,544,743	$ (5,880,103)	$ (2,932,889)

The accompanying notes are an integral part of these financial statements.

Business-type Activities-Enterprise Funds		Governmental Activities
Non-major Enterprise Funds	Total Enterprise Funds	Total Internal Service Funds
$ 67,269,822	$ 233,669,234	$ 465,895,374
-	159,017,096	-
-	-	20,772,814
-	1,951,900	-
749,898	749,898	-
-	4,829,876	5,674,090
68,019,720	400,218,004	492,342,278
64,138,574	248,440,102	50,165,128
-	52,394,139	278,077,589
26,946	5,476,057	89,169,241
-	64,450	8,720,782
2,076,687	2,333,305	40,442,665
-	123,899	8,947,620
-	1,168,625	29,933,734
148	366,625	3,249,594
-	3,628,820	16,054,248
-	27,979	2,686,220
-	645,745	45,749
6,115,899	6,430,907	14,154,671
-	296,004	3,147,510
-	23,311	70,227
-	8,705	93,577
1,331,327	12,379,667	3,263,776
73,689,581	333,808,340	548,222,331
(5,669,861)	66,409,664	(55,880,053)
-	2,478,215	-
-	22,670	515,753
1,165,783	6,118,288	2,184,069
-	(35,045)	(1,392,815)
1,165,783	8,584,128	1,307,007
(4,504,078)	74,993,792	(54,573,046)
-	21,272	-
-	-	2,557,843
(1,379,877)	(55,442,497)	-
(1,379,877)	(55,421,225)	2,557,843
(5,883,955)	19,572,567	(52,015,203)
30,210,827	282,486,056	66,239,771
$ 24,326,872	$ 302,058,623	$ 14,224,568

Total change in net position reported above……….	$ 19,572,567
Consolidation adjustment of internal service activities related to enterprise funds…….	(526,796)
Change in net position - business type activities….	$ 19,045,771

STATE OF VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Business-type Activities-Enterprise Funds		
	Unemployment Compensation Trust Fund	Liquor Control Fund	State Lottery Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 75,112,418	$ 98,404,864	$ 158,558,449
Cash paid to suppliers for goods and services	-	(68,090,151)	(8,742,472)
Cash paid to employees for services	-	(4,541,083)	(2,255,168)
Cash paid for prizes and commissions	-	-	(114,086,046)
Cash paid to claimants	(51,942,877)	-	-
Other operating revenues	-	6,777,776	4,000
Other operating expenses	-	(10,869,598)	(178,742)
Total cash provided (used) by operating activities	23,169,541	21,681,808	33,300,021
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	-	-	-
Transfers out	-	(20,498,419)	(32,122,907)
(Increase)/decrease in due from other funds	-	-	-
Interfund loans and advances	-	(998,706)	-
Federal grants	(6,948,123)	-	-
Net cash provided (used) by noncapital financing activities	(6,948,123)	(21,497,125)	(32,122,907)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	-	(228,700)	(864,304)
Payment of leases, SBITA's, and loans	-	-	(385,705)
Interest paid on leases, SBITA's, and loans	-	-	(35,045)
Proceeds from sale of capital assets	-	43,942	-
Net cash provided (used) by capital and related financing activities	-	(184,758)	(1,285,054)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends on investments	4,595,577	-	347,844
Proceeds from sales/maturities of investments	-	-	92,566
Proceeds from loan repayments	-	-	-
Loans issued	-	-	-
Net cash provided (used) by investing activities	4,595,577	-	440,410
Net increase (decrease) in cash and cash equivalents	20,816,995	(75)	332,470
Cash and cash equivalents, July 1	288,302,015	75	6,755,211
Cash and cash equivalents, June 30	$ 309,119,010	$ -	$ 7,087,681
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	$ 15,822,637	$ 23,014,567	$ 33,242,321
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation and amortization	-	681,954	486,671
Other nonoperating expenses	-	-	-
Effect of changes in assets, deferred outflows, liabilities and deferred inflows:			
Accounts/taxes receivable, net	6,777,574	474,258	(449,101)
Lease receivable	-	-	-
Due from other funds	-	54,477	-
Inventories	-	(1,312,492)	(31,501)
Prepaid expenses	-	-	15,013
Deferred outflows	-	(3,217,496)	(1,675,113)
Accounts payable	-	213,299	(75,766)
Accrued salaries and benefits	-	6,397	84,818
Claims payable	451,262	-	-
Due to lottery winners	-	-	(92,566)
Due to agents	-	(82,568)	-
Future and unclaimed prizes payable	-	-	514,450
Due to other funds	118,068	(310,196)	(7,995)
Unearned revenues	-	3,689	(9,545)
Other liabilities	-	-	-
Other noncurrent liabilities	-	-	-
Net pension liabilities	-	(967,076)	(114,348)
Net OPEB liabilities	-	691,132	509,367
Deferred inflows	-	2,431,863	903,316
Total adjustments	7,346,904	(1,332,759)	57,700
Net cash provided (used) by operating activities	$ 23,169,541	$ 21,681,808	$ 33,300,021
Noncash investing, capital, and financing activities:			
Contributions of capital assets to/from other funds	-	(21,272)	21,272
Retirement of assets not fully depreciated	-	-	-
Fair market value of donated inventory sold	-	-	-
Acquisition of capital assets via financing	-	-	5,363,034

NOTE: Total cash and cash equivalents at June 30 on the cash flow statement is equal to cash/cash equivalents, and imprest cash and change fund - advances on the Statement of Net Position.

The accompanying notes are an integral part of these financial statements.

Business-type Activities-Enterprise Funds		Governmental Governmental Activities
Non-major Enterprise Funds	Total Enterprise Funds	Total Internal Service Funds
$ 74,120,566	$ 406,196,297	$ 487,174,874
(74,006,033)	(150,838,656)	(146,526,884)
(27,569)	(6,823,820)	(88,383,301)
-	(114,086,046)	-
-	(51,942,877)	(251,335,312)
-	6,781,776	5,674,090
(433,958)	(11,482,298)	(3,263,852)
(346,994)	77,804,376	3,339,615
-	-	2,557,843
(1,379,877)	(54,001,203)	-
-	-	4,267,888
(3,891)	(1,002,597)	5,814,135
-	(6,948,123)	-
(1,383,768)	(61,951,923)	12,639,866
-	(1,093,004)	(11,151,582)
-	(385,705)	(25,760,018)
-	(35,045)	(1,378,325)
-	43,942	983,387
-	(1,469,812)	(37,306,538)
1,148,798	6,092,219	2,183,266
-	92,566	-
439,853	439,853	623,671
(452,881)	(452,881)	(80,539)
1,135,770	6,171,757	2,726,398
(594,992)	20,554,398	(18,600,659)
27,578,434	322,635,735	102,627,576
$ 26,983,442	$ 343,190,133	$ 84,026,917
$ (5,669,861)	$ 66,409,664	$ (55,880,053)
-	1,168,625	29,933,734
-	-	(76)
1,286,720	8,089,451	(2,461,775)
-	-	(417,833)
(64,040)	(9,563)	3,179,134
-	(1,343,993)	(863,474)
-	15,013	1,420,352
-	(4,892,609)	-
1,356,515	1,494,048	1,581,415
(623)	90,592	785,940
-	451,262	26,742,277
-	(92,566)	-
-	(82,568)	-
-	514,450	-
-	(200,123)	(687,318)
-	(5,856)	(117,810)
354,260	354,260	(279,214)
2,390,035	2,390,035	-
-	(1,081,424)	-
-	1,200,499	-
-	3,335,179	404,316
5,322,867	11,394,712	59,219,668
$ (346,994)	$ 77,804,376	$ 3,339,615
-	-	-
-	-	(460,952)
749,898	749,898	1,998,906
-	5,363,034	19,945,193

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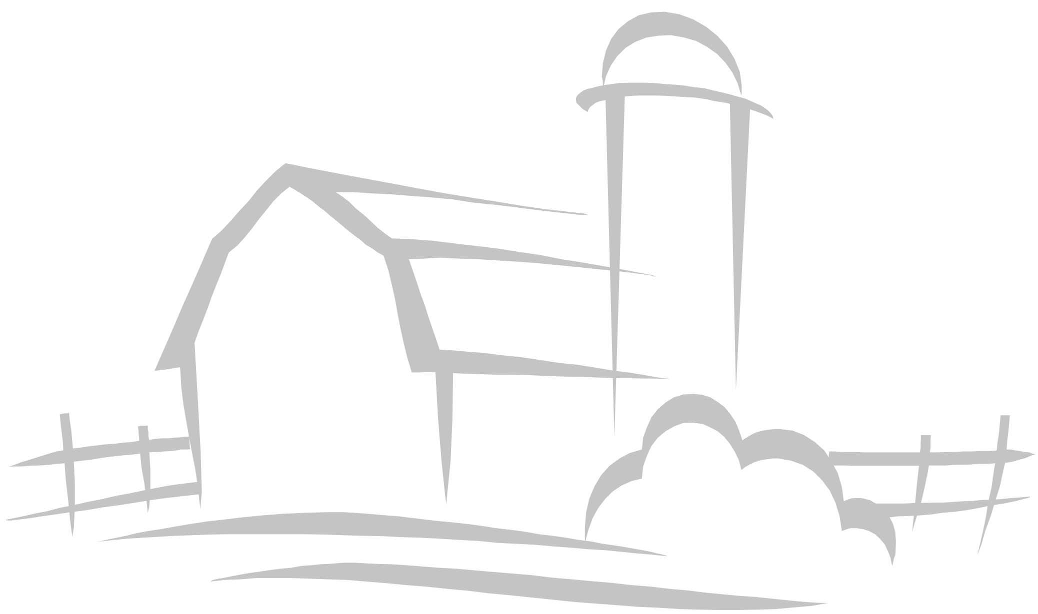

FIDUCIARY FUNDS
FINANCIAL STATEMENTS

STATE OF VERMONT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2023

	Pension and Other Postemployment Benefits Trust Funds	Private Purpose Trust Fund Unclaimed Property Fund	Custodial Funds
ASSETS			
Cash and cash equivalents	$ 111,995,769	$ 8,126,994	$ 8,020,586
Investments			
Fixed income	275,526,744	-	-
Equities	160,562,218	6,001,959	-
Mutual and commingled funds	4,146,860,861	-	-
Private partnerships	1,558,687,854	-	-
Receivables:			
Taxes	-	-	2,866,694
Contributions - current	24,793,343	-	-
Contributions - non-current	5,362,276	-	-
Investments sold	71,439,108	-	-
Interest and dividends	1,799,466	-	-
Due from other funds	-	-	24,676
Other	15,951,351	-	2,305,866
Prepaid expenses	257,197	-	-
Other assets	-	9,523,728	-
Capital assets:			
Capital assets being depreciated:			
Equipment	8,310,724	8,299	-
Less accumulated depreciation	(7,592,419)	(6,956)	-
Total capital assets, net of depreciation	718,305	1,343	-
Total assets	6,373,954,492	23,654,024	13,217,822
LIABILITIES			
Accounts payable	3,409,847	12,796	1,350
Accrued salaries and benefits	-	47,366	-
Claims payable	-	6,276,195	-
Investments purchased	149,818,729	-	-
Due to other funds	1,790,032	-	3,970
Interfund payable	-	-	89,183
Intergovernmental payable - other governments	-	-	9,362,114
Payable to individuals	-	-	132,039
Total liabilities	155,018,608	6,336,357	9,588,656
NET POSITION			
Restricted for employees' pension benefits	5,994,949,721	-	-
Restricted for employees' other postemployment benefits	223,986,163	-	-
Restricted for individuals, organizations and other governments	-	17,317,667	3,629,166
Net position restricted for benefits and other purposes	$ 6,218,935,884	$ 17,317,667	$ 3,629,166

The accompanying notes are an integral part of these financial statements.

STATE OF VERMONT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Pension and Other Postemployment Benefits Trust Funds	Private Purpose Trust Fund — Unclaimed Property Fund	Custodial Funds
ADDITIONS			
Contributions			
Employer - pension benefit	$ 147,351,630	$ -	$ -
Employer - healthcare benefit	64,698,572	-	-
Non-employer - pension benefit	188,096,219	-	-
Non-employer - healthcare benefit	57,168,208	-	-
Plan member	131,542,145	-	-
Transfers from non-state systems	215,804	-	-
Other revenues	13,829,042	-	-
Total contributions	602,901,620	-	-
Investment Income			
Net appreciation/(depreciation) in fair value of investments	393,821,917	-	-
Dividends	42,639,343	-	-
Interest income	12,052,424	908,705	1,918
Other income	908,227	-	-
Total investment income/(loss)	449,421,911	908,705	1,918
Less Investment Expenses			
Investment managers and consultants	7,634,184	-	-
Total investment expenses	7,634,184	-	-
Net investment income/(loss)	441,787,727	908,705	1,918
Escheat property remittances	-	8,060,890	-
Collection of local option taxes for other governments	-	-	29,884,951
Collection of fines and fees for other governments	-	-	4,827,664
Collection of child support for individuals	-	-	40,662,343
Collection for the benefit of individuals	-	-	7,855,330
Other custodial fund collections	-	-	21,243
Total additions	1,044,689,347	8,969,595	83,253,449
DEDUCTIONS			
Retirement benefits	472,023,638	-	-
Other postemployment benefits	76,656,774	-	-
Refunds of contributions	9,203,607	-	-
Death claims	1,606,840	-	-
Payment of local option taxes to other governments	-	-	29,884,951
Payment of fines and fees to other governments	-	-	4,411,924
Payments of child support to individuals	-	-	40,662,343
Payments for the benefit of individuals	-	-	7,858,894
Other custodial fund payments	-	-	21,184
Transfers to non-state systems	7,579,638	-	-
Depreciation	649,205	1,593	-
Operating expenses	6,630,471	1,004,567	-
Total deductions	574,350,173	1,006,160	82,839,296
Change in net position			
Restricted for employees' pension benefits	405,538,659	-	-
Restricted for employees' other postemployment benefits	64,800,515	-	-
Held in trust for individuals, organizations and other governments	-	7,963,435	414,153
Restricted Net position, July 1	5,748,596,710	9,354,232	3,215,013
Restricted Net position, June 30	$ 6,218,935,884	$ 17,317,667	$ 3,629,166

The accompanying notes are an integral part of these financial statements.

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DISCRETELY PRESENTED COMPONENT UNITS FINANCIAL STATEMENTS

STATE OF VERMONT
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
June 30, 2023

	Vermont Student Assistance Corporation	University of Vermont and State Agricultural College	Vermont State Colleges	Vermont Housing Finance Agency	Non-major Component Units	Total Component Units
ASSETS						
Current Assets						
Cash and cash equivalents	$ 63,383,000	$ 224,760,000	$ 98,842,936	$ 2,745,000	$ 47,274,554	$ 437,005,490
Cash and cash equivalents - restricted	-	-	-	54,011,000	17,459,000	71,470,000
Investments	-	323,297,000	-	14,147,000	23,937,739	361,381,739
Accounts receivable, net	-	45,947,000	15,132,037	-	1,953,772	63,032,809
Accrued interest receivable - loans	14,167,000	-	-	2,087,000	3,673,857	19,927,857
Accrued interest receivable - investments	150,000	-	-	864,000	-	1,014,000
Loans and notes receivable - current portion	53,059,000	1,771,000	-	33,925,000	84,641,390	173,396,390
Other receivables	1,252,000	-	-	835,000	6,028,908	8,115,908
Lease receivable	864,000	1,111,000	-	-	101,000	2,076,000
Due from federal government	39,000	11,320,000	-	-	2,292,138	13,651,138
Due from primary government	-	-	-	-	145,375,498	145,375,498
Inventories	-	69,000	-	-	388,862	457,862
Other current assets	429,000	20,125,000	2,851,834	-	989,992	24,395,826
Total current assets	133,343,000	628,400,000	116,826,807	108,614,000	334,116,710	1,321,300,517
Noncurrent Assets						
Cash and cash equivalents	-	22,342,000	660,542	-	-	23,002,542
Cash and cash equivalents - restricted	41,768,000	-	-	-	4,074,478	45,842,478
Investments	9,982,000	822,064,000	72,586,940	177,346,000	7,007,000	1,088,985,940
Investments - restricted	-	-	-	-	82,544,763	82,544,763
Loans and notes receivable, net	383,546,000	35,204,000	809,507	200,098,000	1,084,348,573	1,704,006,080
Lease receivable	644,000	13,373,000	-	-	1,166,000	15,183,000
Other assets	-	12,615,000	123,060	321,000	23,873,082	36,932,142
Total noncurrent assets	435,940,000	905,598,000	74,180,049	377,765,000	1,203,013,896	2,996,496,945
Capital Assets						
Land	3,150,000	42,454,000	8,436,048	50,000	602,470	54,692,518
Construction in progress	-	44,377,000	3,491,980	-	2,316,955	50,185,935
Capital assets, being depreciated						
Infrastructure	-	-	43,051,021	-	-	43,051,021
Intangible right-to-use assets	1,205,000	7,960,000	23,949,002	-	1,193,442	34,307,444
Buildings and leasehold improvements	17,365,000	1,143,406,000	268,687,870	2,009,000	37,193,827	1,468,661,697
Equipment, furniture and fixtures	4,794,000	174,768,000	43,654,858	963,000	7,436,205	231,616,063
Less accumulated depreciation	(15,540,000)	(662,788,000)	(244,303,580)	(2,495,000)	(32,659,276)	(957,785,856)
Total capital assets, net of depreciation	10,974,000	750,177,000	146,967,199	527,000	16,083,623	924,728,822
Total assets	580,257,000	2,284,175,000	337,974,055	486,906,000	1,553,214,229	5,242,526,284
DEFERRED OUTFLOWS OF RESOURCES						
Loss on refunding of bonds payable	-	5,009,000	5,445,225	-	12,602,368	23,056,593
Interest rate swaps	-	-	-	11,000	-	11,000
VHCB related deferred outflows	-	-	-	28,639,000	-	28,639,000
Pension related outflows	-	-	-	-	4,754,558	4,754,558
OPEB related outflows	-	34,660,000	35,519,806	-	20,760,880	90,940,686
Total deferred outflows of resources	-	39,669,000	40,965,031	28,650,000	38,117,806	147,401,837

The accompanying notes are an integral part of these financial statements.

	Vermont Student Assistance Corporation	University of Vermont and State Agricultural College	Vermont State Colleges	Vermont Housing Finance Agency	Non-major Component Units	Total Component Units
LIABILITIES						
Current Liabilities						
Accounts payable and accrued liabilities	3,318,000	98,708,000	13,937,940	650,000	4,032,723	120,646,663
Accrued interest payable	-	-	-	2,171,000	667,000	2,838,000
Bond interest payable	495,000	-	-	-	3,018,809	3,513,809
Unearned revenue	13,684,000	61,737,000	6,033,863	-	30,013,407	111,468,270
Other current liabilities	-	-	-	-	88,000,000	88,000,000
Current portion of long-term liabilities	12,702,000	18,015,000	6,892,613	29,420,000	95,808,069	162,837,682
Due to primary government	-	-	-	-	9,584,565	9,584,565
Escrowed cash deposits	-	-	-	12,550,000	1,025,000	13,575,000
Total current liabilities	30,199,000	178,460,000	26,864,416	44,791,000	232,149,573	512,463,989
Noncurrent Liabilities						
Bonds and notes payable	319,867,000	527,545,000	93,894,779	365,916,000	728,665,953	2,035,888,732
Lease liabilities	-	2,030,000	11,717,177	-	1,092,000	14,839,177
SBITA liabilities	84,000	961,000	694,631	-	-	1,739,631
Accounts payable and accrued liabilities	2,073,000	12,457,000	-	-	-	14,530,000
Accrued arbitrage rebate	3,750,000	-	-	-	10,184	3,760,184
Advances from primary government	-	-	-	-	5,500,000	5,500,000
Net pension liabilities	-	-	-	-	10,071,608	10,071,608
Net other postemployment benefits liabilities	-	186,997,000	133,937,265	-	12,005,063	332,939,328
Other liabilities	-	-	3,378,397	-	36,972	3,415,369
Total noncurrent liabilities	325,774,000	729,990,000	243,622,249	365,916,000	757,381,780	2,422,684,029
Total liabilities	355,973,000	908,450,000	270,486,665	410,707,000	989,531,353	2,935,148,018
DEFERRED INFLOWS OF RESOURCES						
Gain on refunding of bonds payable	5,846,000	-	-	-	-	5,846,000
Lease related inflows	1,179,000	13,708,000	-	-	1,166,076	16,053,076
Interest rate swaps	-	-	-	333,000	-	333,000
Service concession arrangement	-	642,000	-	-	-	642,000
Split interest arrangements	-	5,027,000	-	-	-	5,027,000
Pension related inflows	-	-	-	-	5,396,619	5,396,619
OPEB related inflows	-	273,731,000	86,301,061	-	29,426,806	389,458,867
Total deferred inflows of resources	7,025,000	293,108,000	86,301,061	333,000	35,989,501	422,756,562
NET POSITION						
Net investment in capital assets	10,863,000	203,492,000	44,863,006	527,000	14,965,623	274,710,629
Restricted						
Endowments - expendable	1,141,000	506,905,000	23,860,619	-	-	531,906,619
Endowments - nonexpendable	8,904,000	402,986,000	25,279,443	-	-	437,169,443
Grants and scholarships	2,244,000	-	-	-	-	2,244,000
Bond resolution	64,215,000	-	-	80,752,000	-	144,967,000
Investment in limited partnerships	-	-	-	-	5,921,000	5,921,000
Collateral for commercial paper program	-	-	-	-	17,175,000	17,175,000
Project and program commitments	-	-	-	9,880,000	190,540,915	200,420,915
Loans receivable	-	-	-	-	302,024,859	302,024,859
Unrestricted (deficit)	129,892,000	8,903,000	(71,851,708)	13,357,000	35,183,784	115,484,076
Total net position	$ 217,259,000	$ 1,122,286,000	$ 22,151,360	$ 104,516,000	$ 565,811,181	$ 2,032,023,541

STATE OF VERMONT
STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2023

	Vermont Student Assistance Corporation	University of Vermont and State Agricultural College	Vermont State Colleges	Vermont Housing Finance Agency	Non-major Component Units	Total Component Units
Expenses						
Salaries and benefits	$ 18,225,000	$ 422,057,000	$ 108,928,184	$ 4,509,000	$ 25,312,221	$ 579,031,405
Other expenses	8,853,000	234,684,000	50,959,757	31,300,000	53,614,227	379,410,984
Scholarship, grants and fellowships	34,322,000	27,431,000	18,773,733	-	-	80,526,733
Depreciation	798,000	39,664,000	14,333,932	74,000	1,460,304	56,330,236
Interest on debt	10,741,000	20,591,000	4,426,143	12,542,000	30,791,148	79,091,291
Total expenses	72,939,000	744,427,000	197,421,749	48,425,000	111,177,900	1,174,390,649
Program Revenues						
Charges for services	32,882,000	475,922,000	102,982,754	14,348,000	61,118,405	687,253,159
Operating grants and contributions	42,616,000	372,519,000	112,244,982	32,201,000	106,679,070	666,260,052
Capital grants and contributions	-	18,124,000	3,701,024	-	-	21,825,024
Total program revenues	75,498,000	866,565,000	218,928,760	46,549,000	167,797,475	1,375,338,235
Net revenue (expense)	2,559,000	122,138,000	21,507,011	(1,876,000)	56,619,575	200,947,586
General Revenues						
Property transfer tax	-	-	-	-	21,128,985	21,128,985
Investment income/(loss)	3,984,000	64,752,000	4,082,139	2,327,000	(2,463,059)	72,682,080
Additions to non-expendable endowments	452,000	-	2,656,921	-	-	3,108,921
Miscellaneous	-	987,000	26,318	-	1,553,892	2,567,210
Total general revenues	4,436,000	65,739,000	6,765,378	2,327,000	20,219,818	99,487,196
Changes in net position	6,995,000	187,877,000	28,272,389	451,000	76,839,393	300,434,782
Net position - beginning, as restated	210,264,000	934,409,000	(6,121,029)	104,065,000	488,971,788	1,731,588,759
Net position - ending	$ 217,259,000	$ 1,122,286,000	$ 22,151,360	$ 104,516,000	$ 565,811,181	$ 2,032,023,541

The accompanying notes are an integral part of these financial statements.

STATE OF VERMONT
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

STATE OF VERMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the State of Vermont (State) have been prepared in accordance with generally accepted accounting principles applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles in the United States of America.

The basic financial statements present the financial position of the State, the results of operations of the State and the various funds and fund types, and the cash flows of the various proprietary funds. The basic financial statements are presented as of and for the period ended June 30, 2023.

The following is a summary of the more significant accounting policies employed in the preparation of these financial statements.

A. Financial Reporting Entity

The State of Vermont's Primary Government is comprised of three branches: the Executive Branch, with the Governor as the chief executive officer; the Legislative Branch, with a Senate of 30 members and a House of Representatives of 150 members; and the Judicial Branch, with Supreme and Superior Courts and the Judicial Bureau.

The basic financial statements include all funds, agencies, boards, commissions, and organizations of the primary government (the State), as well as component units that have been determined to meet the requirements for inclusion in the State's financial reporting entity.

Component Units are entities that, although legally separate from the State, have been included because they are either financially accountable to the State, or have relationships with the State such that exclusion would cause the State's financial statements to be misleading or incomplete. These component units are financially accountable to the State if the State appoints a voting majority of the organization's governing body and it is able to impose its will on that organization, or if there is a potential for the organization to provide a financial benefit or financial burden to the State. Alternatively, for those organizations where the State does not appoint a voting majority, an organization is financially accountable to the State if the organization is fiscally dependent, and the organization provides a financial benefit or financial burden to the State.

Component unit activity may be "blended" into the activity of the primary government or may be reported separately. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Vermont has no blended component units. If they are reported separately, they are called "discretely presented component units" and are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government. Each discretely presented component unit's designation as either "major" or "non-major" has been determined by the entity's relative significance to the State. Additional information as well as separately issued financial reports may be obtained by contacting the individual entity desired at the address given in the following text.

Discretely Presented Major Component Units

The "Discretely Presented Component Units" contained in the government-wide financial statements report the financial results of the following entities:

Vermont Student Assistance Corporation (VSAC) – The VSAC was established by the Vermont Legislature to provide opportunities for persons who are residents of Vermont to attend colleges or other institutions of higher education by awarding grants and by making, financing, servicing, and guaranteeing loans to qualifying students. The Governor of the State appoints five of the eleven members of the Board of Directors, and the State Legislature appoints two additional members. The State of Vermont has the ability to impose its will upon VSAC through its ability to change or alter the organization, structure, or programs. For audited financial statements and further information, contact their administrative offices at 10 East Allen Street, P.O. Box 2000, Winooski, Vermont 05404.

University of Vermont (UVM) - The UVM's financial report includes the University, the State Agricultural College, and UVM's two discretely presented component units; the University of Vermont and State Agricultural College Foundation, Inc. (UVMF), and the University Medical Education Associates, Inc. (UMEA). The State appoints thirteen of the twenty-five voting members of the Board of trustees. The State has assumed an obligation to provide financial support through its annual appropriation and is obligated to maintain the University's debt service reserves. Audited financial statements and additional information may be obtained by contacting the university's administrative offices at 348 Waterman Building, Burlington, Vermont 05405.

Vermont State College System (VSC) – The Vermont State College System's annual report includes the financial activity for the following organizations:

System Offices and Services
Community College of Vermont
Castleton University
Northern Vermont University
Vermont Technical College
Vermont Manufacturing Extension Center
Small Business Development Center
Vermont Tech Office of Continuing Education and Workforce Development

The Governor, with the advice and consent of the Senate, appoints nine of the fifteen members of the board of trustees, and the legislature appoints an additional four members. The State has assumed an obligation to provide financial support through its annual appropriations and has assumed an obligation to maintain VSC's debt service reserves. Audited financial statements and additional information about the system itself or about any of the individual organizations included in the system may be obtained by contacting the Office of the Chancellor, Vermont State Colleges, P.O. Box 7, Montpelier VT 05601.

Vermont Housing Finance Agency (VHFA) – The VHFA was created in 1974 by an Act of the General Assembly of the State of Vermont for the purpose of financing and promoting affordable, safe, and decent housing opportunities for low- and moderate-income Vermonters. The State appoints voting members of VHFA's board of commissioners. The State is able to impose its will on the organization as the Governor can remove any member of the board at will. The State also has an obligation to maintain the organization's debt reserves. Audited financial statements and additional information may be obtained by contacting the Agency's administrative offices at 164 Saint Paul Street, Burlington, VT 05401.

<u>Discretely Presented Non-major Component Units</u>

Vermont Economic Development Authority (VEDA) VEDA, a tax-exempt entity, was created by the Vermont Legislature for the purpose of promoting economic prosperity in the State by directly financing eligible businesses and projects including manufacturing, agricultural, and travel and tourism enterprises; and by operating programs which provide eligible borrowers with access to capital. The authority has 15 voting members consisting of the Secretary of the Agency of Commerce and Community Development; the State Treasurer; the Secretary of Agriculture, Food and Markets; the Commissioner of Forest, Parks, & Recreation; and the Commissioner of Public Service; or a designee of any of the above; and ten members, who are residents of the State of Vermont and appointed by the Governor with the advice and consent of the senate. The State has the ability to impose its will on the entity as the Governor can remove members at will and the State can change the structure and activities of the organization at any time. The entity's services primarily benefit Vermont's residents.

VEDA also administers the State Infrastructure Bank (SIB), the Drinking Water State Revolving Loan Fund – Private Loans, the Brownfields Revitalization Fund, Clean Energy Development Fund, and the Windham County Economic Development Fund. These five funds are administered for the benefit of the State and are consolidated and reported in VEDA's custodial fund. Audited financial statements and additional information may be obtained by contacting VEDA at 58 East State Street, Suite 5, Montpelier, Vermont 05602.

Vermont Housing and Conservation Board (VHCB) – The Legislature created and charged this organization with two goals: create affordable housing for Vermont residents; and conserve and protect Vermont's agricultural lands, historic properties, forestlands, important natural areas, and recreational lands. The VHCB's Board of Directors is appointed by the Governor of the State of Vermont and there is a material financial relationship. Funding for the organization is provided by the Legislature, comprised of 50% of the revenue from the property transfer tax, plus other monies appropriated from time to time. Audited financial statements and additional information may be obtained by contacting the VHCB at 58 East State Street, Suite 5 Montpelier, Vermont 05602.

Vermont Municipal Bond Bank (VMBB) – The Vermont Legislature established the VMBB (d/b/a Vermont Bond Bank) for the express purpose of fostering and promoting adequate capital markets and facilities for borrowing money by governmental units of the State of Vermont for the financing of public improvements or other public purposes. The Governor appoints the four directors and can remove members at will. VMBB is authorized, with written consent of the Governor and the State Treasurer, to carry out these charges by borrowing money or by issuing its own bonds and notes to obtain funds which are then utilized to purchase bonds and notes issued by local governmental entities. The State is obligated annually to appropriate any funds necessary to maintain required reserves of the bond bank. The VMBB has a December 31 (annual) year-end. Audited financial statements and additional information regarding VMBB may be obtained by contacting VMBB at 100 Bank Street, Suite 401, Burlington, VT 05401.

VMBB also administers the Special Environmental Revolving Fund in accordance with 24 V.S.A. 4753(b). This fund was created by the Vermont Legislature for the purpose of fostering and promoting timely expenditures by municipalities for water supply, water pollution control, and solid waste management. The fund has a June 30 year-end and publishes its own audited financial statements. For financial reporting purposes, its financial statements have been consolidated with the State's Federal Revenue Fund financial statements in this ACFR. The Special Environmental Revolving Fund's audited financial statements may be obtained by contacting the Department of Environmental Conservation at Davis 3, 1 National Life Drive, Montpelier, VT 05602-3901.

Vermont Educational and Health Buildings Financing Agency (VEHBFA) – VEHBFA is a non-profit entity which finances or assists in the financing of projects for eligible Vermont educational institutions, health care related entities, and private libraries. The majority of the Board of VEHBFA is appointed by the Governor of the State. The Board may appoint officers, agents, consultants, and employees. Their compensation is subject to approval of the Governor. The VEHBFA has a December 31 (annual) year-end. Audited financial statements and additional information may be obtained by contacting VEHBFA at 20 Winooski Falls Way, Winooski VT 05404.

Vermont Veterans' Home – The Vermont Veterans' Home was originally chartered in 1884 by the Vermont Legislature and incorporated on November 24, 1884. A Board of Trustees appointed by the Governor oversees the operations of the Vermont Veterans' Home. The State can impose its will on the entity as directors serve at the pleasure of the Governor. The Vermont Veterans' Home is financially accountable to the State as the State provides all funding and controls the finances of the Home. Audited financial statements and additional information may be obtained by contacting them at 325 North Street, Bennington, Vermont 05201.

Vermont Transportation Authority (VTA) – The Vermont Legislature specifically authorized the creation of VTA pursuant to the acquisition, operation, and support of an authorized transportation facility as defined in 29 V.S.A. 701. All members of the authority are appointed by the Governor, and all resources revert to the State on termination of the authority. The VTA is currently inactive. Additional information may be obtained from the Agency of Transportation – Rail Division, National Life Building, Montpelier, Vermont 05633–5001.

Joint Ventures

A joint venture is a legal entity or other contractual arrangement that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or responsibility. The Tri-State Lotto Commission (31 V.S.A. 673) is classified as a joint venture. The financial activities of this organization have not been included in the State's financial statements; however, see Note V. E. for additional information regarding the organization.

Jointly governed Organizations

The following organizations are classified as jointly governed organizations because they represent units over which control is exercised jointly by the State along with various other governmental agencies. There is no specific ongoing financial benefit or burden for the State associated with these organizations, which distinguishes these arrangements from those classified as joint ventures. The financial activities of these organizations are not included in the State's financial statements.

Connecticut River Valley Flood Control Commission (10 V.S.A. 1153)
New England Board of Higher Education (16 V.S.A. 2692)
New England Interstate Water Pollution Control Commission (10 V.S.A. 1333)
Northeastern Forest Fire Protection Commission (10 V.S.A. 2503)

Related Organizations

Related organizations are separate legal entities for which the primary government appoints a voting majority of the board members but does not have either (a) the ability to impose its will on the organization or (b) a relationship of financial benefit or burden with the organization. The Vermont State Housing Authority (24 V.S.A. 4005) has been classified as a related organization, and thus their financial activity has not been included in the State's financial statements.

Excluded Organizations

The following entities have been determined not to be part of the reporting entity after applying the criteria of GASB Statement No. 14 "The Financial Reporting Entity", as amended by GASB Statements No. 61.

Vermont Sustainable Jobs Fund, Inc.
Vermont Information Technology Leaders (VITL)
Vermont Council on the Humanities
Vermont Council on the Arts
Vermont Historical Society
Vermont Public Power Supply Authority
Connecticut River Atlantic Salmon Commission (10 V.S.A. 4654)
Texas Low Level Radioactive Waste Disposal Compact (10 V.S.A. 7013)

These organizations have not been included in the reporting entity because they are legally separate entities, and the voting majority of their governing boards are not appointed by the State. They are not fiscally dependent on the State's primary government and exclusion from the reporting entity would not render Vermont's financial statements incomplete or misleading.

B. Basis of Presentation—Government-wide Financial Statements

The basic financial statements of the State of Vermont include both *government-wide statements* and *fund financial statements*. The focus of the government-wide statements is on reporting the operating results and financial position of the State as a whole and present a longer-term view of the State's finances. The focus of the fund financial statements is on reporting on the operating results and financial position of the most significant funds of the State and present information on how operations were financed and what remains available for future spending.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, although the latter are excluded from the government-wide financial statements.

The State of Vermont's Government-wide Financial Statements (the Statement of Net Position and the Statement of Activities) report information on all of the financial activities of both the primary government and its component units, except fiduciary activity. Fiduciary fund activity has not been included in these entity-wide statements in accordance with the requirements of GASB Statement No. 34. For the most part, the effect of interfund activity has also been removed from these government-wide statements. However, Interfund services provided and used are not eliminated in the process of consolidation. Primary government activities are segregated between governmental activities and business-type activities. Governmental activities' sources of revenues are normally taxes and inter-governmental revenues. Business-type activities rely, to a significant extent, on fees and charges for support. Further, the primary government is reported separately from its legally separate discretely presented component units.

The Statement of Activities demonstrates the degree to which direct expenses of a given function, segment, or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use, or directly benefit from goods or services provided by a given function, segment, or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Items not properly included among program revenues are reported instead as general revenues. Taxes and other resources that are dedicated internally are reported as general revenues rather than as program revenues. The State does not allocate general government (indirect) expenses to other functions.

Net position (the amount by which assets and deferred outflows exceed liabilities and deferred inflows) are reported on the Statement of Net Position in three components:

(1) Net investment in capital assets– total amount of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds and other debt that are related to the acquisition or construction of those assets, including related deferred outflows of resources and deferred inflows of resources.
(2) Restricted – for amounts when constraints placed on the net position are either externally imposed or are imposed by constitutional provisions or enabling legislation.
(3) Unrestricted – the total net position which do not fit the two preceding categories.

When both restricted and unrestricted resources are available for use, generally it is the State's policy to use restricted assets first with unrestricted resources utilized as needed.

C. Basis of Presentation—Fund Financial Statements

The financial activities of the State are recorded in individual funds, each of which is deemed to be a separate accounting entity. A fund is defined as a separate accounting entity with a self-balancing set of accounts. The State uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds, and discretely presented component units. Major governmental funds, major proprietary funds, and major component units are reported in individual columns in their respective fund financial statements. Non-major funds and component units are combined and reported in a single column. The single test for classifying a fund as either major or non-major consists of applying the following two steps:

a. Total assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding element total (assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, etc.) for all funds in that category or type (that is total governmental or total enterprise), **and**
b. The same element that met the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.

In addition to the above major fund criteria, any other governmental or enterprise fund that government officials believe is particularly important to financial statement users (i.e., because of public interest or for consistency) may be reported as a major fund.

The financial activities of the State reported in the accompanying financial statements have been classified into the following governmental, proprietary, and fiduciary funds:

Governmental Funds

General Fund – The Vermont Legislature has established the General Fund as the basic operating fund of the State. As such, the General Fund is used to finance and to account for all expenditures for which no special revenues have otherwise been provided by law. All revenues received by the State and not otherwise required by law to be deposited in any other designated fund or used for any designated purpose are deposited in the General Fund. Unexpended and/or unencumbered appropriation balances will, unless otherwise directed by law, revert to fund balance at the end of the fiscal year to be re-appropriated in the future.

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted, committed or assigned to expenditures for specified purposes other than debt service or capital projects, and include the following:

Transportation Fund – This fund is a major special revenue fund. It is used primarily for preservation, maintenance, and improvements to the State's transportation infrastructure. This infrastructure includes highways, bridges, railroads, airports, public transportation, and other related activities. The fund is also used for construction of transportation capital facilities. The primary sources of revenue in this fund are motor fuel taxes, motor vehicle purchase and use tax, motor vehicle license and registration fees, traffic ticket revenue, other statutorily specified revenues, as well as reimbursements from the federal government for transportation projects.

Education Fund – This fund is a major special revenue fund. It was established by the Vermont Legislature to equalize statewide education funding requirements. Sources of funding and allowable expenditures are codified in 16 V.S.A. 4025. These allowable expenditures include payments to school districts and supervisory unions for the support of education, the costs of short-term borrowing, and statewide education tax income sensitivity adjustments. Funding includes the statewide education tax, allocations of other taxes, State lottery profits, Medicaid reimbursements, and appropriated transfers from the General Fund.

Special Fund – This fund is a major special revenue fund. It combines many individual special revenue funds that account for proceeds or specific revenues not categorized above that are limited to expenditures for specific purposes. These purposes cross the entire range of State government activities.

Federal Revenue Fund – This fund is a major special revenue fund. All federal grant receipts are recorded in this fund except for those federal funds specifically designated for human services as part of the global commitment to health Medicaid waiver, transportation or fish and wildlife purposes (which are recorded in the State's Global Commitment Fund, Transportation Fund or Fish and Wildlife Fund respectively).

Global Commitment (to Health) Fund – This fund is a major special revenue fund created in accordance with Section 16c of 33 V.S.A. 1901(e). It is the result of Vermont entering into a Medicaid demonstration waiver agreement with the Federal Government. This agreement caps Federal expenditures in Medicaid services but gives Vermont great latitude in promoting universal access to health care, cost containment, and effective administration. The State will be financially at risk for managing costs within the capped limits but stands to benefit from any savings realized from program efficiencies. As part of the agreement, the Agency of Human Services (AHS) has contracted with the Department of Vermont Health Access (DVHA), which serves as a publicly sponsored managed care organization, and adheres to all Federal managed care organization regulations.

In addition to the grant received from the Federal Government, General and Special Fund resources are used to fund payments from the Agency of Human Services to the DVHA for the purpose of providing services under the global commitment to health care waiver approved by the Federal Centers for Medicare and Medicaid Services under Section 1115 of the Social Security Act. These payments are reported as transfers out of the General and Special Funds and as transfers into the Global Commitment Fund. These funds will be expended as appropriated by the general assembly, authorized by the Director of the DVHA, and approved by the Commissioner of Finance and Management consistent with agreements between the DVHA and departments delivering eligible services under the waiver. These resources paid to the Global Commitment Fund are adjusted by the AHS each quarter to the actual expenditures paid.

Non-major governmental funds column includes the balances and activities of the following:

Fish and Wildlife Fund – This fund is a non-major special revenue fund. The fund's revenue is committed by statute and can only be utilized for fish and wildlife purposes. Principal sources of revenue include license fees and federal grants.

Capital Projects Funds – These funds, consisting of the General Obligation Bond Projects Fund and the Transportation Infrastructure Bond Projects Fund, are non-major governmental funds, and account for and report financial resources that are restricted, committed, or assigned to be used for expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. These capital expenditures may be for the State directly or for outside organizations such as the Vermont State College System, municipalities, etc.

Debt Service Funds—These funds, consisting of the General Obligation Debt Service Fund and the Transportation Infrastructure Debt Service Fund, are non-major governmental funds, and account for and report financial resources that are restricted, committed, or assigned to be used for expenditures for bond principal and interest.

Permanent Funds – These are non-major governmental funds that report resources that are legally restricted to the extent that only earnings, not principal, may be expended for purposes that benefit the government or citizenry, such as higher education, cemetery care, and monument preservation.

Proprietary Funds

These funds account for those activities for which the intent of management is to recover the cost of providing goods or services to the general public or other departments of government primarily through user charges; or where prudent financial management dictates that periodic determinations of results of operations are appropriate. These funds include the following types:

Enterprise Funds – These nine funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The State's intent in these funds is to recover the costs including depreciation expense associated with providing the goods and services to the public primarily through user charges. Three of these enterprise funds, reporting the activities of the State's unemployment compensation program, the Division of Liquor Control, and the State's lottery program, are reported as "major funds" while the remaining six are reported as non-major funds.

Unemployment Compensation Trust Fund – accounts for federal monies and unemployment taxes collected from employers to provide payment of benefits to the unemployed (21 V.S.A. Chapter 17).

Liquor Control Fund – accounts for the operations of the Division of Liquor Control which purchases, distributes, and sells distilled spirits through its agency stores (7 V.S.A. Chapter 5).

State Lottery Fund – accounts for the operations of the Vermont Lottery (31 V.S.A. Chapter 14). The net profits of the State Lottery Fund are used to support public education and are transferred monthly to the Education Fund.

Internal Service Funds – These twenty-four separate funds are used to account for the financing of goods and services provided by one State department to other State agencies, departments, or intergovernmental units. Their objective is not to make a profit but rather to recover the total cost of providing these goods and services by charging users of their services and products. Activities accounted for in the State's internal service funds include risk management; employee group insurance programs; equipment acquisition and maintenance; rental and maintenance of facilities; financial, human resource, audit, and information technology services; postage, copying and supply procurement services; and State vehicle fleet management. In the government-wide financial statements, Internal Service Funds are reported within the governmental activities.

Fiduciary Funds

These funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. These funds include the following:

Pension and Other Postemployment Benefit Trust Funds – These funds are used to report assets and associated financial activity that are held in trust for the members and beneficiaries of the Vermont State Retirement (defined benefit) System, the Vermont State Defined Contribution Retirement System, the State Teachers' Retirement (defined benefit) System, the Vermont Municipal Employees' (defined benefit) Retirement System, the Vermont Municipal Employees' Defined Contribution Plan, the State's Single Deposit Investment Account, the State Employees' Postemployment Benefit Trust Fund, the Retired Teachers' Health and Medical Benefit Fund and the Vermont Municipal Employees' Health Benefit Fund.

Private Purpose Trust Fund – The State's only fund in this category is the *Unclaimed Property Fund*, which accounts for all abandoned property that is required to be remitted to the State. The Unclaimed Property Division in the State Treasurer's Office administers procedures for returning this property to its rightful owner if they can be located. In addition to monetary assets, from time to time, the Unclaimed Property Division may have custody of tangible property that has not been valued and therefore is not reported in the financial statements.

Custodial Funds – These funds report fiduciary activities that are not required to be reported in another fiduciary fund type. This includes funds that are held for the benefit of individuals, organizations, or other governments that are not part of the State's reporting entity, such as local option taxes, fines, and fees collected on behalf of other governments, and child support collections for individuals.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured, such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

Government-wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Statewide education property taxes are recognized as revenues in the year for which the taxes are levied. This property tax is levied by the State on July 1, is included in the property tax bills levied by municipalities, and is collected by municipalities. The municipalities, by December 1 and June 1, must make payment to the State Treasurer in the amount specified by the Commissioner of Taxes.

Governmental Fund Financial Statements – The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The State uses a 60-day availability period for revenue recognition. Major revenue sources considered susceptible to accrual include federal grants, interest on investments, and sales and income taxes. Expenditures generally are recorded when a liability is due and payable, with the following exceptions:

a. Employees' vested annual, personal, and compensatory leave time are recorded as expenditures when utilized. The amount of accumulated leave unpaid at the end of the fiscal year has been reported only in the accrual-basis financial statements and does not include any accruals for the State's share of any payroll taxes that will be due when the expenditures are actually paid. See the "Compensated Absences" section of this footnote for additional information.
b. Interest on general long-term debt is recognized when due to be paid.
c. Debt service expenditures and claims and judgments are recorded only when payment is due to be paid.

Proprietary Funds, Fiduciary Funds, and Discretely Presented Proprietary Fund Type Component Units **–** The financial statements presented for these types of funds use the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from non–operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are categorized as non-operating revenues and expenses.

E. Assets, Liabilities, Deferred Outflows/Inflows, and Net Position/Fund Balance

Cash and Cash Equivalents

Cash balances for most funds are deposited with the State Treasurer. Except for the Pension and Other Post Employment Benefit Funds, and bond proceeds in the Capital Projects Funds, cash balances deposited with the State Treasurer are pooled together and amounts that are not immediately required are invested in short-term investments.

Income earned by these short-term investments is allocated based on average daily balances to those funds authorized to receive it while any remaining earnings are deposited in the General Fund.

Cash and cash equivalents as reported in the financial statements include bank accounts, imprest cash, short-term investments with an original maturity of three months or less at the time of acquisition such as certificates of deposit, commercial paper, federal government agencies' discount notes, money market accounts, and repurchase agreements.

Investments

The investments are categorized at their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy is based on the valuation inputs used to measure fair value of the asset that prioritizes inputs into three levels: Level 1 - quoted prices for identical instruments in active markets; Level 2 - significant inputs that are observable; Level 3 - significant inputs that are unobservable.

Also, certain investments that are measured at net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. For additional information regarding types of investments and basis of valuation, see Note IV.B. - Investments.

Receivables

Receivables in the government-wide financial statements represent amounts due to the State at June 30 that will be collected at some time in the future. They consist primarily of accrued taxes and federal grants and are reported net of allowance for uncollectible accounts. See Note IV.C. - Receivables for further information. Receivables reported in the governmental funds financial statements consist primarily of accrued taxes, federal grants receivable, and notes receivable from drinking water and clean water special environmental loans. Other receivables include primarily fees, fines, opioid settlements, and drug expenditure reimbursements due to the Medicaid program from drug companies and third-party insurance companies. Lease receivables include land and buildings rentals. Revenues accrued in the governmental funds' financial statements consist primarily of accrued taxes, and other receivables that will be collected by the State within 60 days after year-end. Amounts estimated to be collected after the 60-day revenue recognition period are recorded as unavailable revenues. Federal receivables are amounts due from the federal government to reimburse the State's expenditures incurred pursuant to federally funded programs. Federal grant revenues are accrued when the qualifying expenditure is incurred. Notes and loans receivable in the General Fund consist primarily of loans to various non-profit organizations and a Vermont Economic Development Authority note held by the State. No allowances for uncollectible amounts have been recognized in these notes receivable. See Note V.C. - Contingent Liabilities for further information.

Inventories

Inventories of materials and supplies in governmental funds are recorded as expenditures when purchased. Inventories reported in the proprietary funds are valued at the lower of cost or market. Cost valuation methods used in the proprietary funds are weighted average method (enterprise funds - Liquor Control Fund and Vermont Life Magazine Fund, and internal service funds - Highway Garage Fund and Offender Work Programs Fund); specific identification method (enterprise funds - State Lottery Fund, Federal Surplus Property Fund, and internal service funds - Communication & Information Technology Fund, and State Surplus Property Fund); and first-in, first-out method (internal service fund - Postage Fund).

Prepaid Expenses

In the governmental funds, all purchases are recorded as expenditures when the invoice is entered for payment. In the proprietary and fiduciary funds, certain payments reflect costs applicable to future accounting periods and as such, are recorded as prepaid expenses. These prepaid items will be expensed as they are liquidated.

Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, art and historical treasures, intangible assets, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide Statements of Net Position, and in the fund financial statements for the proprietary and fiduciary funds. All purchased capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available (except for intangible right-to-use assets, the measurement of which is discussed sections below under the sections for Leases and Subscription-Based Information Technology Arrangements). Donated assets are valued at the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date, or the amount at which a liability could be liquidated with the counterparty at the acquisition date.

Capital assets, except as stated below, have an individual cost of at least $5,000, and provide a future economic benefit for a minimum of 2 years. This includes buildings that are not considered to be part of an infrastructure asset. All land and land use rights, regardless of cost, are capitalized and are not depreciated. Infrastructure assets are defined as long-lived economic resources that are normally stationary in nature, utilized primarily by the general public as opposed to State employees, cost at least $250,000 and provide future economic benefit for a minimum of 3 years. Commercial Off-The-Shelf Software with a cost of at least $50,000, internally generated software and websites with a cost of at least $500,000, internally generated intellectual property with a cost of at least $150,000, and a useful life of 2 or more years are capitalized.

Capital assets are depreciated over their useful lives using the straight-line mid-month depreciation method. Useful lives for buildings and building improvements are 5 to 50 years, machinery and equipment is 3 to 20 years, and infrastructure assets are 7 to 80 years. Additional disclosures related to capital assets and Intangible right-to-use assets are found in Notes IV. E. - Capital Assets, IV. G. 3. - Leases, and IV. G. 4. - Subscription-Based Information Technology Arrangements, respectively.

When a capital asset is disposed of, its cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. Repairs and maintenance are recorded as expenses. Significant replacements and improvements that increase the useful life, increases the asset’s ability to provide service, or increases the effectiveness or efficiency of the asset are capitalized and deductions are made for retirements resulting from the replacements or improvements. Interest incurred on debt issued for construction of governmental activities capital assets is not capitalized.

The majority of the historic artifacts and collections that are maintained by the various State agencies and departments are not included in the capital asset reporting. The items not reported are protected and preserved, held for public exhibition and educational purposes and the proceeds from any sales of such items are used to acquire new items for the collection.

Leases

The State routinely engages in lease agreements to meet operational needs or serve the general public. The State's lease contracts generally relate to land, buildings, and various machinery and equipment. For short-term leases with a maximum possible term of 12 months or less at commencement, the State recognizes periodic revenue or expense based on the provisions of the lease contract. For all other contracts where the State is the lessee, at the commencement of a lease, the State initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The intangible right-to-use lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. The intangible right-to-use lease asset is amortized on a straight-line basis over the shorter of the lease term or useful life of the underlying asset. Intangible right-to-use lease assets are reported with capital assets, and lease liabilities are reported similar to long-term debt in the statement of net position. The State monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the intangible right-to-use lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

On a more limited basis, the State also serves as a lessor providing leases of state-owned land, buildings, and various machinery and equipment. At the commencement of a lease, the State initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date that relate to future periods. The deferred inflow of resources is amortized evenly and recognized as revenue over the life of the lease term. The State monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

The State uses its estimated incremental borrowing rate as the discount rate for leases unless the rate the lessor charges is known. The State's incremental borrowing rate is based on the general obligation bonds' effective interest rate for a given year. Many lease contracts include increases to rent payments related to the consumer price index (CPI) or similar indices, and the available index increase is included in the present value at the commencement of the lease or upon remeasurement. Payments based on future performance are not included in the measurement of the lease liability or lease receivable but recognized as revenue or expense in the period performed. Residual value guarantees and exercise options will be included in the measurement if they are reasonably certain to be paid or exercised. The State has established a minimum dollar threshold for lease reporting of $5,000 per individual lease annually.

Subscription-Based Information Technology Arrangements (SBITA’s)

The State routinely engages in SBITA’s to meet operational needs, improve efficiency, or serve the general public. The State's SBITA contracts generally are for Software as a Service (SaaS), Platform as a Service (PaaS), or Infrastructure as a Service (IaaS). For short-term SBITA’s with a maximum possible term of 12 months or less at commencement, the State recognizes periodic expense based on the provisions of the SBITA contract. For all other SBITA contracts, at the commencement of a SBITA, the State initially measures the SBITA liability at the present value of payments expected to be made during the SBITA term. Subsequently, the SBITA liability is reduced by the principal portion of SBITA payments made. The intangible right-to-use SBITA asset is initially measured as the initial amount of the SBITA liability, adjusted for SBITA payments made at or before the SBITA commencement date, plus certain implementation costs. The intangible right-to-use SBITA asset is amortized on a straight-line basis over the shorter of the SBITA term or useful life of the underlying information technology asset. Intangible right-to-use SBITA assets are reported with capital assets, and SBITA liabilities are reported similar to long-term debt in the statement of net position. The State monitors changes in circumstances that would require a remeasurement of its SBITA’s and will remeasure the intangible right-to-use SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the SBITA liability.

The State uses its estimated incremental borrowing rate as the discount rate for SBITA’s unless the rate in the SBITA contract is known. The State's incremental borrowing rate is based on the general obligation bonds' effective interest rate for a given year. Payments based on future performance are not included in the measurement of the SBITA liability but recognized as an expense in the period performed. The State has established a minimum dollar threshold for SBITA reporting of $50,000 in subscription payments over the maximum term of the contract per individual SBITA. The State has established a minimum capitalization level of $500,000 for implementation costs related to the SBITA.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Primary Government has six items that qualify for reporting in this category, five of which are related to pensions and other postemployment benefits, the changes in proportional share, net differences between projected and actual earnings on plan investments, changes of assumptions, differences between expected and actual experience, contributions made subsequent to the measurement date, and the unamortized balance of losses on bond refunding, are all reported in the government-wide Statement of Net Position. A loss on a bond refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Changes in proportional share, changes of assumptions, and differences between expected and actual experience are capitalized and recognized over a period equal to the expected remaining service lives of all employees. Net differences between projected and actual earnings on plan investments is capitalized and recognized over a five-year period. Pension and other postemployment benefits contributions made subsequent to the measurement date will be recognized as a reduction of the net pension and other postemployment benefits liability after the next measurement date.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Primary Government has three items that qualifies for reporting in this category in the governmental funds, which are prepaid property taxes, unavailable revenue, and deferred amounts related to lease receivables. Governmental funds report unavailable revenue in the balance sheet for revenue that is not available under the modified accrual basis. The amount is capitalized and recognized as revenue in the period that it becomes available. The Primary Government has six items that qualify for reporting in this category in the government-wide financial statements, three are related to pensions and other postemployment benefits. Net differences between projected and actual earnings on plan investments is capitalized and recognized over a five-year period. Changes in assumptions, and changes in proportional share related amounts are capitalized and recognized over a period equal to the expected remaining service lives of all employees. The fourth item is the unamortized balance of gains on bond refunding. A gain on a bond refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The fifth item is property taxes collected in advance of levy date. The sixth item is the deferred amount related to lease receivables, which are amortized and recognized as revenue over the life of the lease term.

Additional disclosures related to deferred outflows and inflows of resources are included in Notes IV. F. - Deferred Outflows and Deferred Inflows and IV. G. 5. - Retirement Plans and Other Postemployment Benefits.

Tax Refunds Payable

Tax refunds payable primarily represent amounts owed by the State to taxpayers because of overpayment of their income tax liabilities. Tax refunds payable, which reduce respective tax revenues, are accrued to the extent they are measurable based on payments and estimates. The amount reported as tax refunds payable at June 30, 2023 in the governmental funds statements is comprised of tax refunds for filed tax returns due and payable at June 30, 2023. The amount reported as tax refunds payable at June 30, 2023 in the government–wide financial statements is comprised of estimated tax liability overpayments for the first and second calendar quarters of year 2023’s tax liability that will be paid out in calendar year 2024.

Arbitrage Rebate Obligations

In accordance with Section 148(f) of the U.S. Internal Revenue Code, the State must rebate to the U.S. Government the excess of interest earned from the investment of certain debt proceeds over the yield rate of the applicable debt. Arbitrage rebate, if any, is due and payable on each five-year anniversary of the respective debt issue. As of June 30, 2023, the primary government had no outstanding arbitrage rebate obligation. The arbitrage rebate liabilities reported by the discretely presented component units are included in “Other Long-term Liabilities” in the government-wide statement of net position.

Compensated Absences

Compensated absences’ liabilities include amounts for accumulated unpaid vacation, compensatory time, and personal leave credits. Classified State employees accrue vacation leave based on the number of years employed up to a maximum rate of 24 days annually and may not accumulate more than a maximum of 45 days (360 hours) at any one time. This liability is expected to be liquidated in future periods as either salary payments or cash payments upon termination of employment. Compensatory time and personal leave time accumulate as earned by the employees but must be taken within the subsequent year or be forfeited.

Liabilities for compensated absences are recorded in the government-wide Statement of Activities where the employees are assigned, and in the funds, where applicable. The amounts are calculated based on an employee's pay rate in effect as of year-end. Additional information including changes in balances may be found in Note IV. G. 6. - Other Long-term Liabilities.

Employees earn sick leave credits based on the number of years employed with a maximum accrual rate of 21 days per fiscal year. Sick leave may only be liquidated if and when sickness or injury is incurred. Additionally, if employment is terminated, any sick leave that the individual may have accrued is forfeited without any payout; therefore, it is not an accruable liability to the State. There is no limit on the amount of sick leave an employee may accumulate.

Encumbrances

Contracts and purchasing commitments are recorded as encumbrances when the contract or purchase order is executed. When the terms of the purchase order or contract have been fulfilled and payment to the contracting party is due, the encumbrance is liquidated, and the liability and expenditure are recorded. Encumbrances remaining at fiscal year-end in the governmental funds are as follows:

Governmental Funds		Encumbrances
General Fund	$	52,491,072
Transportation Fund		163,125
Special Fund		82,663,024
Federal Revenue Fund		121,158,800
Global Commitment Fund		2,457,355
Non-major Governmental Funds		11,462,992
Total	$	270,396,368

Fund Balances

The fund balance amounts for governmental funds have been classified in accordance with GASB Statement No. 54 - *Fund Balance Reporting and Government Fund Type Definitions*. Fund balances are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portions of loans or notes receivable, or property held for resale unless the use of the proceeds are restricted, committed or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

Restricted fund balances have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Committed fund balances can be used only for specific purposes pursuant to constraints imposed by a formal action of the Vermont Legislature, the State's highest level of decision-making authority. This formal action is the passage of a law by the legislature specifying the purposes for which amounts can be used. The same type of formal action is necessary to remove or change the specified use.

Assigned fund balance includes amounts that are constrained by the State's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental fund types other than the General Fund, this is the residual amount within the fund that is not restricted or committed. In the General Fund, amounts are assigned by the Agency of Administration under authorization by the Legislature in the annual Budget Adjustment Act.

Unassigned fund balance is the residual amount of the General Fund not included in the four categories above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.

When both restricted and unrestricted amounts are available for use, generally it is the State's policy to use restricted amounts first, with unrestricted resources utilized as needed. In the case of unrestricted resources, it is generally the State's policy to use committed amounts first, followed by assigned amounts, then unassigned amounts as needed. Additional information may be found in Note IV. H. - Fund Balance/Net Position.

Bond Discounts, Premiums, and Issuance Costs

In the government-wide financial statements, bond discounts or premiums are capitalized and amortized over the term of the bonds using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount. Bond issue costs other than prepaid insurance are reported as expenses.

In the fund financial statements, governmental fund types recognize bond discounts, premiums, and issuance costs in the period the bond proceeds are received. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issued are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as expenditures.

Interfund Transactions

Interfund Loans – Short-term loans between funds outstanding at year-end for such things as cash overdrafts are recorded as Interfund Receivables/Payables. Advances To/From Other Funds represent long-term interfund loans receivable and payable.

Reimbursements – Reimbursements result when one fund makes an expenditure for a second fund when that expenditure or expense is properly applicable to the second fund. Reimbursement transactions reduce expenditures in the reimbursed fund and increase expenditures/expenses in the reimbursing fund.

Interfund Services Provided and Used –These transactions occur between two government funds that would be accounted for as revenue and expenditures if they occurred between a government entity and a private sector entity.

Transfers – These transfers encompass all types of transfers and are primarily routine transfers of appropriation resources between funds. Transfers are not revenue, expenditures, or expenses, and are classified as "Other Financing Sources (Uses)" in the operating statements of the governmental funds and in a separate subsection before net income in the proprietary funds.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities that affect the disclosure of contingent assets and liabilities as of the date of the financial statements, and that affect the reported amounts of revenues and expenses for the reporting period. Actual results could differ from these estimates.

F. Accounting and Reporting Changes

Effective for fiscal year 2023 reporting, the State implemented the following new GASB standards:

GASB Statement No. 91, *Conduit Debt Obligation.* This standard clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement did not have an impact on the primary governments financial statements, but did have an impact on the financial statements of the VMBB, one of the State's discretely presented non-major component units. See Note V.G. for the cumulative effect of change in accounting principles.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* This standard defines public-private and public-public partnerships (PPPs) and Availability Payment Arrangements (APAs), and establishes standards of accounting and financial reporting for PPPs and APAs. A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This statement did not have an impact on the financial statements.

GASB Statement No. 96, *Subscription-based information technology arrangements (SBITA's)*. This standard defines SBITA's, and establishes standards of accounting and financial reporting for these arrangements. The standard establishes that a SBITA transaction requires the recognition of an intangible right-to-use subscription asset, and a corresponding subscription liability. In addition, the standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs; and requires certain note disclosures related to SBITA's. See Notes IV.E and IV.G.4 for additional information on the financial statement impacts of the adoption of this standard.

GASB Statement No. 99, *Omnibus 2022*. The purpose of this Statement is to enhance the comparability in accounting and financial reporting and improve the consistency of authoritative literature by focusing on practice issues that have been identified during the implementation of various GASB Statements. GASB Statement No. 99 issued in April 2022 had multiple effective dates for the statements various requirements. The requirements related to leases, SBITA's, and PPPs were effective for fiscal years beginning after June 15, 2022, and were adopted by the State for fiscal year 2023 reporting. This statement did not have an impact on the financial statements.

Note II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental fund financial statements each include a schedule that reconciles the fund balance and net changes in fund balance in the fund financial statements to the net position and changes in net position in the government-wide financial statements. Differences between the two occur because the current financial resources measurement focus and modified accrual basis of accounting that is used in governmental funds must be converted to the economic resources measurement focus and accrual basis of accounting that is used in government-wide reporting. In addition, differences will occur because balances and transactions associated with interfund activity must be eliminated in the process of preparing the government-wide financial statements, including consolidation of internal service fund data into the governmental activities in the government-wide financial statements.

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between *fund balance—total governmental funds* and *net position—governmental activities* as reported in the government-wide statement of net position.

One element of that reconciliation explains that "capital assets used in governmental activities (net of internal service funds' capital assets) are not considered financial resources for fund perspective reporting and, therefore, are not reported in the funds." The details of this are as follows:

Land	$ 185,788,287
Works of art	127,803
Construction in progress	668,898,173
Depreciable capital assets and infrastructure, net of $2,350,752,438 of accumulated depreciation	2,591,098,264
Net adjustment to increase *fund balances - total governmental funds* to arrive at *net position - governmental activities*	$ 3,445,912,527

Another element of that reconciliation explains that "amounts are presented in the Statement of Net Position but are not presented in fund balances due to a different basis of accounting." The details of this are as follows:

Long-term assets are not available to pay for current period expenditures and therefore are reported as unavailable revenues in the governmental funds	$ 279,097,151
Deferred outflow for unamortized loss on sale of refunding bonds	2,155,751
Deferred inflow for unamortized gain on sale of refunding bonds	(42,615)
Deferred outflow for pension related items	974,895,286
Deferred inflow for pension related items	(59,994)
Deferred outflow for OPEB related items	400,590,035
Deferred inflow for OPEB related items	(1,319,378,181)
Net adjustment to increase *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$ 337,257,433

The final element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not considered financial liabilities for fund perspective reporting, and therefore, are not reported in the funds." The details of this are as follows:

Bonded debt	$ (567,486,652)
Lease liability (net of internal service funds' liability)	(2,231,628)
SBITA liability (net of internal service funds' liability)	(21,227,125)
Accrued interest payable on bonds	(8,030,462)
Compensated absences (net of internal service funds' liability)	(45,130,845)
Tax refunds payable	(105,008,204)
Net pension liabilities	(3,037,959,823)
Net other postemployment benefits liabilities	(1,502,996,907)
Other long-term liabilities	(25,170,511)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$ (5,315,242,157)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances—total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities.

One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period, net of internal service funds." The details of this difference are as follows:

Capital outlay/functional expenditures	$ 465,738,532
Expensed net book value of disposed assets	(67,389,260)
Depreciation expense	(232,644,530)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$ 165,704,742

A second element of the reconciliation states that repayment of bond and lease principal is reported as an expenditure in governmental funds. However, in the government wide statements, repayment of bond and lease principal reduces long-term liabilities. The details of this difference are as follows:

Bond principal repayment	$ 51,245,000
Lease principal repayment (net of internal service funds' liability)	718,110
SBITA principal repayment (net of internal service funds' liability)	11,431,440
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$ 63,394,550

Another element of that reconciliation states that the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. The details of this difference are as follows:

Leases issued increases liabilities in the statement of net position (net of internal service funds' liability)	$ (2,532,815)
SBITA's issued increases liabilities in the statement of net position (net of internal service funds' liability)	(32,658,565)
Bond premium is amortized to interest expense in the statement of activities	10,134,213
Refunding bonds deferred amounts are amortized to interest expense in the statement of activities	(474,860)
Net adjustment to decrease *changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$ (25,532,027)

The final element of that reconciliation states that "some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this difference are as follows:

Decrease in accrued interest payable	$	744,633
Increase in compensated absences		(2,055,788)
Decrease in employer pension and other postemployment benefit related costs		26,852,927
Increase in pollution remediation related costs		(7,430,075)
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$	18,111,697

Note III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Vermont statutes require the head of every State department, board and commission, and any officer or individual responsible for any activity for which funds are appropriated by the Vermont Legislature to provide, on or before September 1 preceding any biennium, statements to the Commissioner of Finance and Management showing in detail the amounts appropriated and expended for both the current and preceding fiscal years and the amount estimated to be necessary for similar activity for the ensuing two fiscal years. The Commissioner of Finance and Management and the Secretary of Administration are then required to submit to the Governor by November 15 preceding each biennium, the estimates as received along with any other estimates for the ensuing two fiscal years. The Governor then submits to the Vermont Legislature, no later than the third Tuesday of every annual session, a budget that embodies estimates, requests, and recommendations for appropriations or other authorizations for expenditures from the State treasury for at least the succeeding fiscal year. The Vermont Legislature then enacts into law an appropriations act that must be approved by the Governor before expenditures can be made. In recent years, in accordance with Act 250 of 1979 Section 125, it has been the practice of the Governor to submit an annual budget and the Vermont Legislature to enact appropriations on an annual basis.

Budgets are prepared and appropriated on a cash basis and usually at the program level. The Agency of Administration maintains budgetary control by fund at the appropriation level. Governmental funds' unspent appropriation balances revert to the fund balance at the end of each fiscal year for re-appropriation unless authorized to be carried forward to the following year(s) by legislative act. Unexpended balances of capital projects funds are available for expenditure in the following fiscal year(s).

The original budgets for expenditures and transfers are determined by the Legislature through the passage of the annual Appropriation Act. The Commissioner of Finance and Management (with approval from the Governor) may transfer balances of appropriations not to exceed $50,000 made under any appropriation act for the support of the government from one component of an agency, department, or other unit of State government, to any component of the same agency, department, or unit; and may transfer balances of appropriations made under any appropriation act from one department or unit of the agency of transportation to another department or unit of the agency of transportation for the specific purpose of funding authorized transportation projects which have been approved by the federal government for advance construction in which the expenditure of State funds will be reimbursed by federal funds when the federal funds become available, and the transfer is limited to funds which have been approved for reimbursement. If any receipts, including federal receipts, exceed the appropriated amounts, the receipts may be allocated and expended, subject to the approval of the Secretary of Administration. If, however, the expenditure of those receipts will establish or increase the scope of the program, which establishment or increase will at any time commit the State to the expenditure of State funds, they may be expended only upon the approval of the Legislature.

B. Deficit Fund Balances/Net Position

The following funds had a deficit net position at June 30, 2023:

Governmental Funds		
Non-major Governmental Funds:		
General Obligation Bonds Project Fund	$	(76,391,553)
Proprietary Funds		
Major Enterprise Funds:		
Liquor Control Fund		(5,880,103)
State Lottery Fund		(2,932,889)
Non-major Enterprise Funds:		
Federal Surplus Property Fund		(173,117)
Internal Service Funds:		
Property Management		(11,663,407)
State Liability Insurance		(8,410,726)
Communications & Information Technology		(5,063,287)
Medical Insurance		(3,743,222)
Workers' Compensation		(3,492,035)
Postage		(3,191,884)
Copy Center		(1,607,805)
Human Resources		(749,285)
State Surplus Property		(149,066)
Offender Work Program		(135,459)

Non-Major Governmental Funds

The deficit in the General Obligation Bonds Project Fund is attributed to capital spending in anticipation of a general obligation bond offering in a subsequent fiscal year.

Major Enterprise Funds

The deficit in the Liquor Control Fund is due to the accrual of the Fund's Proportionate Share of the Net Pension and Net OPEB Liabilities. This deficit will be funded over time by the Pension and OPEB actuarially determined contributions which includes payments for the amortization of the unfunded actuarial accrued liability.

The deficit in the State Lottery Fund is due to the accrual of the Fund's Proportionate Share of the Net Pension and Net OPEB Liabilities. This deficit will be funded over time by the Pension and OPEB actuarially determined contributions which includes payments for the amortization of the unfunded actuarial accrued liability.

Non-major Enterprise Funds

The deficit in the Federal Surplus Property Fund is due mainly to the lack of inventory for sale from the federal government that would in turn allow for sale of surplus by the State. Program management will continue to pursue increasing revenue by actively retrieving goods for sale as well as to encourage increased participation by towns and eligible organizations. An administrative service fee-based participation program will also allow for improved tracking of expenses for revenue reimbursement.

Internal Service Funds

Much of the Property Management Fund deficit is due to two buildings that have been financed over a twenty-year period with recovery of costs scheduled over fifty years. This part of the deficit should be eliminated gradually over the next twenty to thirty years. In addition, the administration has added a surcharge to existing leases which will be monitored during budgeting each year to ensure recovery of operating costs. Program management will continue to monitor financed leases and track all expenses for revenue recovery.

The State Liability Insurance Fund's deficit is due to the EB-5 Settlement reached at the end of FY2023 that was not included in current year rates. See Note V. D. for further information on the EB-5 settlement. The deficit is expected to be reduced by adjustments to billings rates in future years.

The operations of the Agency of Digital Services (ADS) are accounted for in the Communications & Information Technology Fund (CIT). The CIT fund deficit is due to a combination of billing practices and financing strategies used to recoup services provided based on the budgeted rates. ADS plans to improve tracking of expenditure for billing purposes. Improved timesheet billing methods to Agencies and Departments for services will also be utilized to further decrease the deficit fund balance going forward.

The Medical Insurance fund deficit is due to an unexpected increase in hospital fees, associated healthcare costs, and higher than expected enrollment in a new prescription drug program available to employees and retirees. The costs to the medical insurance fund exceeded projections for 2023 even with a significant increase in premiums. The Department of Human Resources is currently evaluating the premium projections for 2024 and beyond to bring this fund out of the deficit.

The Workers' Compensation Fund deficit momentum has slowed relative to the prior two years now that revenues are back to a break-even model. Due to an excess fund surplus in fiscal year 2017, discounted premiums were charged to customers between fiscal year 2018 and fiscal year 2020. The fund balance was further reduced by larger than expected incurred but not reported (IBNR) ultimate loss calculations provided by an independent actuary consultant in both fiscal year 2018 and fiscal year 2019. Program management has removed the premium discount and returned the rate to a break-even level for fiscal year 2021, 2022 and 2023. Program management will work closely with State administration to identify additional workplace safety and other risk mitigation opportunities. A reserve fulfillment surcharge or additional capitalization may need to be applied if programmatic savings cannot otherwise be realized.

The Postage Fund deficit is due to years of the marginal rate (% points saved off federal postage rates) proving insufficient to cover the actual operating costs despite management-initiated efficiencies. In addition, unbilled services (bomb screening and inter-office mail) have not been fully funded. Program management has addressed the fund deficit through improved business operations, while continuing to explore efficiencies gained through a partnership and co-location with the copy center. These initiatives have resulted in a small improvement in the deficit net position in 2023. Program management is considering additional structural and organizational changes if the deficit cannot be addressed through operational management.

The Copy Center Fund deficit net position is the result of a decline in demand, driven by digital replacements of printed materials which limits the program's revenue potential without a corresponding reduction in fixed costs. Potential rate increases and new equipment which will further technical capabilities for additional revenue producing services will be used to help reduce the deficit in 2023.

The Human Resources Services fund has carried a deficit since fiscal year 2020 as estimated revenues, via a one-time statewide allocation, proved insufficient to cover operating expenses. Expenses not covered by revenue in fiscal years 2020 - 2023 include depreciation for the upgraded talent and acquisition management system. Program management will continue to review the rate setting process to ensure that all anticipated expenses are considered while also considering opportunities for efficiencies and leveraging special funds where appropriate.

The State Surplus Property fund deficit is the result of timing of large reimbursements for the sale of vehicles and equipment at auctions. This deficit should go down since the reimbursement of auctioned items is expected to be much lower in 2024 than the previous year(s). Program management will continue to focus on increasing revenue by having more items available for sale in 2024.

The Vermont Offender Work Program includes the Vermont Correctional Industries, Facility Work Camps, and Community Work Crews. The most significant impact to this fund has been the closure of most shops and the cessation of all Community Work Crews. The program is moving away from a production model to a vocational training model with class work and lab time. It is anticipated that the transition to vocational training programs at specific facilities, collaboration with statewide partners to further training, and contributions by the remaining shops should over the next few years mitigate the deficit fund balance.

NOTE IV. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash and Cash Equivalents

Deposits for the primary government are governed by State statutes. When depositing public monies, the State Treasurer must act in accordance with 32 V.S.A. Chapter 431. Although the statute provides requirements for the collateralization of deposits, it does not establish limits. These limits are set by published formal guidelines issued by the State Treasurer.

The custodial credit risk for deposits is the risk that in the event of a depository financial institution failure, the government will not be able to recover funds deposited in the failed institution or will not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by the Federal Deposit Insurance Corporation (FDIC) insurance and are uncollateralized; or collateralized with securities held by the pledging financial institution's trust department or agent, that are not registered in the depositor – government's name. Although State statute does not require deposits to be collateralized, the Treasurer requires the State's cash deposits held in its primary bank to be collateralized with either United States Treasury securities or Vermont municipal securities or other approved money market instruments, or other collateral acceptable to the Treasurer. Certificates of deposit are collateralized, in whole or in part, on the basis of agreements with the bank, a protocol requiring periodic due diligence and review of bank capitalization and assets. Bank deposits in excess of the FDIC amounts and collateral agreements are uninsured and uncollateralized. Bank balances of deposits for the primary government, excluding pension, and other post-employment benefits funds, at June 30, 2023, were $1,155,175,526. Of these, $25,252,279 were exposed to custodial credit risk as uninsured or collateralized with securities held in the name of pledging financial institutions.

The Unemployment Compensation Trust Fund had $307,952,568 on deposit with the U.S. Treasury at June 30, 2023. This amount is presented as cash and cash equivalents and is not included in the carrying amount of deposits, nor is it categorized according to risk, because it is neither a deposit with a financial institution nor an investment.

The pension, other postemployment benefits, and investment trust funds' cash deposits, outside of the pension trust funds' custodian bank at June 30, 2023, totaled $27,254,225 none of which was exposed to custodial credit risk.

B. Investments

Primary Government—Excluding All Pension, and Other Postemployment Benefits Trust Funds

Investments for the primary government are governed by State statutes. The State has an investment policy with an overriding goal of minimizing exposure to risk and maintaining liquidity necessary for future cash needs while maximizing the return on investments. Two sections of State statute govern the investment of the State's operating and restricted cash (i.e., non-pension funds).

When investing public monies, the State Treasurer must act in accordance with 32 V.S.A. 433. Types of investments allowed include obligations of the United States, its agencies, and instrumentalities, and any repurchase agreements whose underlying collateral consists of such obligations or other approved money market instruments; certificates of deposit issued by banks and savings and loan associations approved by the State Treasurer; prime bankers' acceptances; prime commercial paper; tax exempt securities; and domestic money market funds. Also, the State Treasurer's Office issues additional formal guidance that is reviewed periodically, to assure that the three investment objectives -- safety, liquidity, and yield -- are met.

The statutory guidelines for certain trust funds are contained in 32 V.S.A. 434, referred collectively as the Trust Investment Account. These include the Tobacco Trust Fund, the Higher Education Trust Fund, the Agency of Natural Resources Stewardship Fund, two Veterans' Home trusts, the Fish and Wildlife Trust, and various small trusts.

The State Treasurer may invest funds in accordance with the standard of care established by the prudent investor rule and apply the same investment objectives and policies adopted by the Vermont State Employees' Retirement System, where appropriate, to the investment of funds in the Trust Investment Account.

Investments are stated at fair value in the case of marketable securities and at estimated fair value for certain nonmarketable securities. Money market and other short-term investments are reported at fair value when published market prices and quotations are available, or for certain securities at amortized cost. Management at the State Treasurer's Office is responsible for the fair value measurements of investments reported in the financial statements. The State Treasurer's Office has implemented policies and procedures to assess the reasonableness of the fair values provided; the Office believes that reported fair values at the balance sheet date are reasonable.

(a) *Fair Value Measurements*
The State categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset as follows:

Level 1: Inputs are quoted prices for identical investments in active markets.
Level 2: Observable inputs other than quoted market prices.
Level 3: Unobservable inputs.

The fair value measurement at June 30, 2023 for the primary government, with the exception of the Pension and OPEB trust funds is as follows:

Primary Government Investments - Excluding
Pension and Other Postemployment Benefits Trust Funds
(Expressed in Thousands)

	Fair Value Measurement Level				
Investments by fair value level	**Fair Value**	**Level 1**			
Debt investments:					
US Treasuries	$ 597,383	$ 597,383			
US Agencies Securities	25,546	25,546			
Commercial Paper	53,113	53,113			
Total debt investments	676,042	676,042			
Equities:					
Equity Securities	6,002	6,002			
Total equity securities	6,002	6,002			
Total investments by fair value level	682,044	$ 682,044			
Investments measured at amortized cost					
Certificates of Deposit	140,000				
Total investments at amortized cost	140,000				
Investments measured by net asset value (NAV)		**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**	
Money Market Mutual Funds	1,082,670	-	Daily	-	
Fixed Income Mutual Funds	21,411	-	Daily, monthly	1-30 days	
Equity Mutual Funds	24,261	-	Daily, monthly	1-60 days	
Total investments by NAV	1,128,342				
Total investments	$ 1,950,386				

$1,082,614 (in thousands) of the above money market mutual funds are classified as cash & cash equivalents on the financial statements.

(*b) Interest Rate Risk*
Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The primary government does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates for investments, other than pension and investment trust funds' investments. The primary government's investments, other than pension and investment trust funds' investments, at June 30, 2023 are presented as follows:

(Table on next page.)

Primary Government Investments - Excluding
Pension and Other Postemployment Benefits Trust Funds
(Expressed in Thousands)

		Investment Maturities (in years)		
Investment Type	Fair Value	Less Than 1	1 to <6	6 to 10
Debt Investments:				
US Treasuries	$ 597,383	$ 597,093	$ 173	$ 117
US Agencies Securities	25,546	25,546	-	-
Money Market Mutual Funds	1,082,670	1,082,670	-	-
Certificates of Deposit	140,000	140,000	-	-
Fixed Income Mutual Funds	21,411	21,411	-	-
Commercial Paper	53,113	53,113	-	-
Total Debt Investments	1,920,123	$ 1,919,833	$ 173	$ 117
Other Investments:				
Equity Securities	6,002			
Equity Mutual Funds	24,261			
Total Investments	$ 1,950,386			

Investments per maturity schedule	$ 1,950,386
Included in cash & cash equivalents:	
Money market mutual funds	(1,082,614)
Financial statement investments total	$ 867,772

Governmental activities total	$ 861,361
Business activities total	409
Fiduciary - private purpose trust fund	6,002
Total	$ 867,772

(c) Concentration of Credit Risk
Concentration of credit risk is the risk of loss attributable to the monetary magnitude of the State’s investment in a single issuer. While State statute does not establish ceilings, formal investment guidelines for operating funds limit the amount invested to 10% in any one issuer of commercial paper, corporate securities, or bankers’ acceptances. There are no limitations for U.S. Government and Federal Agencies. Money market funds utilized by the State Treasurer’s Office are highly rated and incorporate the requisite diversification. As of June 30, 2023, the State’s investments in Certificates of Deposit at TD Bank were 7.2% of total investments in the primary government portfolios.

(d) Custodial Credit Risk
For investments, custodial credit risk is the risk that a government will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party if the counterparty to the transaction fails. The State has no formal policy on custodial credit risk but maintains contractual relationships with custodian banks that provide coverage and define the procedures. As of June 30, 2023, all securities were registered in the name of the State at its custodian bank. Investments in open-end mutual funds are not exposed to custodial risk because their existence is not evidenced by specific securities.

(e) Credit Risk
Credit risk is the possibility that the issuer or other counterparty to an investment may default on their obligations. In non-pension funds this risk has been mitigated by implementing statutory guidelines on credit quality and further restricted by formal investment guidelines and the use of low-risk money market instruments. The credit risk associated with the State's debt securities, money market funds, bond mutual funds, and other pools of fixed income securities, exclusive of U.S. Treasury investments of $597,383 (in thousands), pension, and OPEB fund investments are as follows: as of June 30, 2023, is presented as follows using the Moody's rating scale:

Primary Government Rated Debt Instruments
Excluding Pension and Other Postemployment Benefits Trust Funds
(Expressed in Thousands)

		Quality Ratings			
Debt Investments	**Fair Value**	**Aaa**	**Aa1**	**Aa2**	**Aa3**
US Agencies Securities	$ 25,546	$ -	$ 25,546	$ -	$ -
Money Market Mutual Funds	1,082,670	1,082,670	-	-	-
Certificates of Deposit	140,000	-	-	-	-
Fixed Income Mutual Funds	21,411	-	-	-	-
Commercial Paper	53,113	4,235	9,812	4,395	6,466
Totals	$ 1,322,740	$ 1,086,905	$ 35,358	$ 4,395	$ 6,466

continued below

	Quality Ratings			
Debt Investments	**A1**	**A2**	**A3**	**Unrated**
Certificates of Deposit	$ -	$ -	$ -	$ 140,000
Fixed Income Mutual Funds	-	-	-	21,411
Commercial Paper	4,988	16,513	6,704	-
Totals	$ 4,988	$ 16,513	$ 6,704	$ 161,411

Foreign Currency Risk
Foreign currency risk is the extent to which changes in exchange rates affect the value of an investment. Vermont's operating funds are restricted, through statute and formal guidelines, to specific money market instruments and money market funds who only invest in domestic instruments. The Trust Investment Account portfolio was not exposed to foreign currency risk as of June 30, 2023.

<u>Primary Government—Pension, and Other Postemployment Benefits Trust Funds</u>

The State has three defined benefit plans (Vermont State Retirement System (VSRS), State Teachers Retirement System (STRS), and Vermont Municipal Employees' Retirement System (MERS); three defined contribution plans (VSRS, MERS, and Single Deposit Investment Account); and three other postemployment benefit funds. Additional information on these plan benefit and actuarial valuations may be found in Note IV.G.5. - Pension and Other Postemployment Benefits.

By statute, the assets of the three defined benefit plans are invested on behalf of each plan's Trustees through the Vermont Pension Investment Commission (VPIC), which was established by the Vermont Legislature (Title 3 V.S.A. Chapter 17), effective July 1, 2005, to combine the assets of the VSRS, STRS and MERS defined benefit plans for the purpose of (i) investment in a manner that is more cost and resource-efficient; (ii) improving the effectiveness of the oversight and management of the assets of the Retirement Systems; and (iii) maintaining the actuarial, accounting, and asset allocation integrity of the Retirement Systems. The majority of these assets have been pooled for investment purposes.

All three defined benefit plans managed by the State have adopted a common asset allocation as determined by the VPIC. As of October 29, 2009, the VPIC adopted a set of investment policies and guidelines common to all three defined benefit plans, which was most recently amended on January 24, 2023. These are used by VPIC with the objective of maximizing returns within acceptable risk parameters.

The State's Single Deposit Investment Account (SDIA), a non-contributory defined contribution plan, is invested in a commingled stable value fund. The investment policy governing the SDIA portfolios includes a minimum average credit quality of double-A, no bonds rated below investment grade, and limitations on asset-backed, mortgage-backed, collateralized mortgage obligations, corporate bonds, and single issuers of non-treasury/government agency backed bonds.

The Vermont State Retirement's defined contribution plan's trustee is the State Treasurer. The Vermont Municipal Employees' Retirement System Board of Trustees is the trustee for the Vermont Municipal Employees' defined contribution plan. Both plans are administered by Prudential Financial, Inc. Investment choices are made by participants from a fund specific lineup approved by the trustees' for the plans. Investment options are actively managed and indexed mutual funds including large and small market capitalization equities, international equities, fixed income securities, balanced funds, target retirement date age-based funds, and a stable value fund. Funds included in the plans were selected based on consideration of fund performance for one and multi-year periods, performance ranked against peer group funds in asset class, management fee expense ratios, fund asset class and investment objectives, historical annual returns, Morningstar ratings, performance in various stages of the capital market cycle, and consultant recommendations as to the optimal number of funds and appropriate asset classes. Prudential provides quarterly investment reports and analysis that are reviewed by Treasury staff, the State Treasurer and Vermont Municipal Employees' Retirement Board.

The State has two other postemployment benefit funds, the Vermont State Postemployment Benefits Trust Fund (State OPEB), the Retired Teachers' Health and Medical Benefit Fund (RTHMB). The two OPEB plan investments are managed in a manner similar to the three defined benefit plans described above in order to provide both growth of invested assets, and liquidity to fund current obligations. U.S. Bank serves as custodian for the two OPEB plan investment portfolios. Additionally, the State has an employer-sponsored health benefit savings plan available to MERS members, the Vermont Municipal Employees Health Benefit Fund (Muni Health). The Muni Health is invested under the authority of the Municipal Retirement Board of Trustees and utilizes an outside administrator, Prudential, and is invested in American Funds.

Investments are stated at fair value in the case of marketable securities and at estimated fair value for certain nonmarketable securities. Money market and other short-term investments are reported at fair value when published market prices and quotations are available, or for certain securities at amortized cost. Real estate is carried at the net asset value of each retirement system's real estate fund investments, which net asset value is further based on the fair value of the real properties. Properties' fair values in each of the retirement systems' fund investments are established quarterly by real estate fund manager appraisals and are validated at least yearly by third-party property appraisals. Nonmarketable securities include alternative investments such as private equity, private credit, and private partnerships, which are valued using current estimates of fair value obtained from the Investment Manager (Manager) in the absence of readily determinable public fair values. Such valuations generally consider variables such as the high, medium, and low values for portfolio investments; the investments' exit timetables, and the status of any proceedings leading to a liquidity event; the financial performance of investments, including comparison of comparable companies' earnings multiples; cash flow analysis; and recent sales prices of investments. Management at the State Treasurer's Office is responsible for the fair value measurements of investments reported in the financial statements. The State Treasurer's Office has implemented policies and procedures to assess the reasonableness of the fair values provided; the Office believes that reported fair values at the balance sheet date are reasonable. Real estate and private partnerships include investments in limited partnerships that invest in private equity, private credit, and real estate. These investments can never be redeemed with the funds. Instead, fund distributions are generated by operation and liquidation of the underlying assets. The Office expects such distributions to accelerate over the lives of these funds and to be initiated at the general partners' discretion. As of June 30, 2023, it is the Office's expectation that all of the investments will be sold over the next 15 years at amounts that differ from the NAV.

(a) *Fair Value Measurements*
The Pension and OPEB Trust Funds categorize the fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset that prioritizes inputs into three levels. The level is determined based on the lowest level of input significant to the measurement in its entirety.

Level 1: Securities traded in an active market, on an exchange that have quoted unadjusted prices such as Exchange-traded equities, and exchange-traded derivatives.

Level 2: Inputs other than quoted prices that are observable. These inputs are derived from market data through correlation or by other means, e.g., "market corroborated". These are primarily fixed income prices using an evaluated price provided by an independent pricing vendor or broker/dealer.

Level 3: Inputs to the valuation methodology that are unobservable and significant to the fair value measurement. Instruments are often based on internally developed models in which there are few, if any, external observation.

Below is the fair value measurement table at June 30, 2023, for the Pension and OPEB trust funds.

(Table on next page.)

Pension and Other Postemployment Benefits
Trust Funds' Investments
(Expressed in Thousands)

Investments by fair value level	Fair Value	Level 1 (Fair Value Measurement Level)	Level 2 (Fair Value Measurement Level)
Debt securities:			
US Treasuries	$ 101,822	$ 101,822	$ -
Corporate Debt	79,715	-	79,715
Municipals	2,834	-	2,834
Asset Backed Securities	1,952	-	1,952
Mortgage Backed Securities	88,960	-	88,960
Sovereign Debt	244	-	244
Repurchase Agreement	67,800	-	67,800
Total debt securities	343,327	101,822	241,505
Equity investments:			
Equity Securities	160,562	160,418	144
Total equity securities	160,562	160,418	144
Total investments by fair value level	503,889	$ 262,240	$ 241,649

Investments measured at the net asset value (NAV)		Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Fixed Income Mutual & Commingled Funds	1,273,365	-	Daily, monthly	1-30 days
Equity Mutual & Commingled Funds	2,346,386	-	Daily, monthly	1-60 days
Mutual & Commingled Funds	527,110	-	Monthly, quarterly	90 days
Money Market Mutual Fund	16,620	-	Daily	-
Private Partnerships	1,558,688	802,208	N/A	N/A
Total investments measured at NAV	5,722,169			
Total investments	$ 6,226,058			

Investments per maturity schedule	$ 6,226,058
Included in cash & cash equivalents:	
Money market mutual funds	(16,620)
Repurchase agreements	(67,800)
Financial statement investments total	**$ 6,141,638**

(b) Interest Rate Risk

As pension trust funds have a different investment term horizon based on a long average liability term, the VPIC manages exposure to fair value loss arising from movements in interest rates by establishing duration guidelines with its debt securities with Core, Core Plus and Global Fixed Income Managers, requiring that the duration be within a specified percentage of the duration band of the appropriate benchmark index. The Core Plus portfolio restriction is +/- 40% around the passive benchmark duration. The calculation of the duration of mortgage backed securities involves assumptions as to the expected future prepayment rate for the security. The Managers are required to calculate duration at the time of initial purchase and on a routine basis to maintain compliance with these guidelines. Fixed income Managers are required to report portfolio characteristics quarterly inclusive of portfolio duration as a measure of portfolio interest rate sensitivity.

Pension and Other Postemployment Benefits
Trust Funds' Investments
(Expressed in Thousands)

Investment Type	Fair Value	Less Than 1	1 to <6	6 to 10	More Than 10
Debt Investments:					
US Treasuries	$ 101,822	$ 7,061	$ 17,800	$ 53,480	$ 23,481
Corporate Debt	79,715	3,118	11,081	38,076	27,440
Money Market Mutual Fund	16,620	16,620	-	-	-
Municipals	2,834	386	2,065	383	-
Asset Backed Securities	1,952	-	529	292	1,131
Mortgage Backed Securities	88,960	5,302	83,601	38	19
Sovereign Debt	244	-	244	-	-
Repurchase Agreement	67,800	67,800	-	-	-
Fixed Income Mutual & Commingled Funds	1,273,365	1,273,365	-	-	-
Total Debt Investments	1,633,312	$ 1,373,652	$ 115,320	$ 92,269	$ 52,071
Other Investments:					
Equity Mutual & Commingled Funds	2,346,386				
Equity Securities	160,562				
Mutual & Commingled Funds	527,110				
Private Partnerships	1,558,688				
Total	$ 6,226,058				

(c) Concentration of Credit Risk
Formal guidelines for pension funds state that no more than 5% of the fair value of a portfolio's domestic fixed income assets may be invested in the debt securities of any one issuer. No limitations on issues and issuers shall apply to obligations of U.S. Government and Federal Agencies. As of June 30, 2023, no issuer exceeded 5%.

(d) Custodial Credit Risk
Custodial credit risk for investments is the risk that a government will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party if the counterparty to the transaction fails. The VPIC manages exposure to custodial credit risk by requiring all relevant Managers to hold investments in separate accounts with VPIC's custodian. VPIC guidelines specify the custodial requirements for these accounts and the duties of the Managers and the custodian. As of June 30, 2023, all securities were registered in the name of the State at its custodian bank. Investments in pools, open-end mutual funds, and other investments not evidenced by specific securities are not categorized.

(e) Credit Risk
Detailed pension guidelines by asset class and supplemental requirements by Manager are used to set risk parameters and are stated in written contracts. These guidelines are reviewed and adopted by VPIC. Treasury staff and independent investment consultants are utilized to assure compliance. The credit risks associated with these securities, exclusive of U.S. Treasury investments of $101,822 (in thousands) are as follows:

Pension and Other Postemployment Benefits
Trust Funds' Investments
(Expressed in Thousands)

Debt Investments	Fair Value	Quality Ratings Aaa	Aa	A
Corporate Debt	$ 79,715	$ -	$ 616	$ 27,130
Money Market Mutual Funds	16,620	-	-	-
Municipals	2,834	-	1,790	658
Asset Backed Securities	1,952	-	-	847
Mortgage Backed Securities	88,960	2,560	-	-
Sovereign Debt	244	-	244	-
Repurchase Agreement	67,800	-	-	-
Fixed Income Mutual & Commingled Funds	1,273,365	-	-	-
Totals	$ 1,531,490	$ 2,560	$ 2,650	$ 28,635

Debt Investments	Quality Ratings Baa	Ba	Unrated
Corporate Debt	$ 51,244	$ 619	$ 106
Money Market Mutual Funds	-	-	16,620
Municipals	-	-	386
Asset Backed Securities	381	-	724
Mortgage Backed Securities	-	-	86,400
Repurchase Agreement	-	-	67,800
Fixed Income Mutual & Commingled Funds	-	-	1,273,365
Totals	$ 51,625	$ 619	$ 1,445,401

(f) Foreign Currency Risk

Unless VPIC stipulates specific exceptions to the guidelines, the non-US dollar denominated debt of non-US issuers are limited to 15% of the Core Plus portfolio and no more than 5% of the portfolio may be invested in non-US currencies. In the case of equities, the Manager is afforded flexibility in the number of issues held and their geographic or industry distribution, provided that equity holdings are within the lesser of established percentage ranges in relation to single holding limitations and a stock's weighting in the style benchmark against which the Manager is measured. Most foreign currency exposure is in the pension and investment trust funds' portfolios. The value in US dollars by foreign currency denomination and type of investment is as follows:

(Table on next page.)

Pension and Other Postemployment Benefits
Trust Funds' Investments
Foreign Currency Risk - International Securities at Fair Value
(Expressed in Thousands)

Currency	Total	Short Term	Equity
Danish Krone	$ 24	$ 24	$ -
Euro	106	106	-
Japanese Yen	90	90	-
United Kingdom Pound	99	63	36
Total	$ 319	$ 283	$ 36

Formal investment policy guidelines adopted by the VPIC state that international equity Managers may enter into forward exchange contracts on currency provided that use of such contracts is designed to dampen portfolio volatility and facilitate securities transaction settlements rather than leverage portfolio risk exposure.

The VPIC funds hold mortgage-backed securities including collateralized mortgage obligations (CMOs) at fair value. Mortgage-backed securities represent a direct interest in a pool of mortgage loans. CMOs are bonds that are collateralized by whole loan mortgages, mortgage pass-through securities, or stripped mortgage-backed securities. Income is derived from payments and pre-payments of principal and interest generated from collateral mortgages. Cash flows are distributed to different investment tranches in accordance with the payment order established for the CMO instrument. Cash flows associated with these tranches may demonstrate varying degrees of sensitivity to interest rate fluctuations. A reduction in interest rates may cause some of the tranches to experience a reduction in fair value as prepayments reduce the interest payments, causing a decline in total cash flows. In a rising interest rate environment, an increase in interest payment and cash flows may cause an increase in fair value.

Risk is minimized through the purchase of high-quality instruments with limited default or prepayment risk. Agency fixed and floating rate pass-through, U.S. Treasury securities and cash equivalents can be held without limitation. Securities designed to provide more precisely targeted maturities (Sequential Collateralized Mortgage Obligations) and those that create tranches, or Planned Amortization Classes (PAC I and PAC II), with cash flows that are protected from prepayment changes within certain limits, may also be purchased without limitation. Policy restrictions and portfolio percentage limitations are established for the purchase of more interest rate sensitive instruments and certain interest rate and price stress tests are required. Asset-backed securities are collateralized by a loan, lease, or receivable other than real estate. Payments are collected by a servicer though a “pass-through” arrangement. As monthly payments of principal and interest are made, the pass-through security holder is entitled to a pro rata portion of the payments received. Risk of pre-payment varies with the underlying assets. Risk is minimized through the purchase of high-quality instruments with limited default or prepayment risk.

C. Receivables

Receivable balances at June 30, 2023 are summarized as follows:

	Enterprise Funds		Total Business-type
	Major	Non-major	Activities
Business-type activities			
Taxes			
Unemployment	$ 37,563,571	$ -	$ 37,563,571
Allowance for uncollectibles	(22,815,829)	-	(22,815,829)
Taxes receivable, net	$ 14,747,742	$ -	$ 14,747,742
Loans and notes receivable	$ -	$ 907,091	$ 907,091
	Current receivable		$ 434,601
	Non-current receivable		472,490
	Total loans and notes receivable, net		$ 907,091
Federal grants			
Federal grants	$ 552,372	$ -	$ 552,372
Other			
Accrued interest and other receivables	$ 5,891,402	$ 8,874,072	$ 14,765,474
Allowance for uncollectibles	(109,794)	-	(109,794)
Other receivables, net	$ 5,781,608	$ 8,874,072	$ 14,655,680
	Current receivable		$ 14,655,680
	Non-current receivable		-
	Total other receivable, net		$ 14,655,680

continued on following page

	Governmental Funds Major	Governmental Funds Non-major	Internal Service Funds	Total Governmental Activities
Governmental activities				
Taxes				
Personal and corporate income	$ 271,661,456	$ -	$ -	$ 271,661,456
Sales and use	76,488,505	-	-	76,488,505
Meals and rooms	37,007,624	-	-	37,007,624
Purchase and use	2,957	-	-	2,957
Motor Fuel	4,002	-	-	4,002
Other taxes	42,601,129	46	-	42,601,175
Subtotal	427,765,673	46	-	427,765,719
Allowance for uncollectibles	(100,087,477)	-	-	(100,087,477)
Taxes receivable, net	$ 327,678,196	$ 46	$ -	$ 327,678,242
		Current receivable		$ 169,767,789
		Non-current receivable		157,910,453
		Total taxes receivable, net		$ 327,678,242
Loans and notes				
Loans and notes receivable	$ 287,029,617	$ -	$ 2,294,742	$ 289,324,359
Allowance for uncollectibles	(633,177)	-	-	(633,177)
Loans and notes receivable, net	$ 286,396,440	$ -	$ 2,294,742	$ 288,691,182
		Current receivable		$ 24,979,196
		Non-current receivable		263,711,986
		Total loans and notes receivable, net		$ 288,691,182

	Governmental Funds Major	Governmental Funds Non-major	Internal Service Funds	Total Governmental Activities
Federal grants				
Human services	$ 191,734,067	$ -	$ -	$ 191,734,067
General education	41,744,350	-	-	41,744,350
Transportation	101,916,367	-	-	101,916,367
Other	42,426,420	-	-	42,426,420
Federal grants	$ 377,821,204	$ -	$ -	$ 377,821,204

	Governmental Funds Major	Governmental Funds Non-major	Internal Service Funds	Total Governmental Activities
Lease receivables				
Land	$ 2,942,366	$ 15,589	$ 140,554	$ 3,098,509
Buildings and improvements	347,541	60,221	901,873	1,309,635
Lease receivables	$ 3,289,907	$ 75,810	$ 1,042,427	$ 4,408,144
		Current receivable		$ 1,234,039
		Non-current receivable		3,174,105
		Total lease receivable,		$ 4,408,144
Other				
Accrued interest and other receivables	$ 206,194,208	$ 81,207	$ 21,229,945	$ 227,505,360
Allowance for uncollectibles	(46,421,124)	(5,908)	-	(46,427,032)
Other receivables, net	$ 159,773,084	$ 75,299	$ 21,229,945	181,078,328
Interfund loans receivable and due from other funds from Fiduciary Funds				1,883,185
Less Internal Service Funds' receivables from Governmental Funds				(6,081,947)
Other receivables, net				$ 176,879,566
		Current receivable		$ 70,715,459
		Non-current receivable		106,164,107
		Total other receivable, net		$ 176,879,566

D. Interfund Balances

1. Due From/To Other Funds

Due from/to other funds represents amounts owed to one State fund by another, for goods sold, services received or reimbursement of costs. The balances of due from/to other funds at June 30, 2023, are as follows:

	Due to Other Funds			
	Governmental Funds			
Due From Other Funds	**General Fund**	**Transportation Fund**	**Education Fund**	**Special Fund**
General Fund	$ -	$ 8,469	$ -	$ 94,101
Transportation Fund	10,206	-	-	1,394
Special Fund	1,082,646	640,879	-	-
Federal Revenue Fund	642,587	-	-	355,919
Global Commitment Fund	68,570,255	-	-	500,535
Non-major Governmental Funds	-	-	-	14,732
Internal Service Funds	3,797,277	2,535,319	4,914	1,154,314
Fiduciary Funds	24,676	-	-	-
Total	$ 74,127,647	$ 3,184,667	$ 4,914	$ 2,120,995

continued below

	Due to Other Funds				
	Governmental Funds			Proprietary Funds	
Due From Other Funds	**Federal Revenue Fund**	**Global Commitment Fund**	**Non-major Governmental Funds**	**Internal Service Funds**	**Unemployment Compensation Trust Fund**
General Fund	$ 291,474	$ 798,796	$ -	$ 11,680	$ -
Transportation Fund	-	-	200	72	-
Special Fund	4,204,965	362,336	173,982	32,186	-
Non-major Enterprise Funds	-	-	-	-	502,247
Internal Service Funds	6,051,217	155,990	92,962	-	-
Total	$ 10,547,656	$ 1,317,122	$ 267,144	$ 43,938	$ 502,247

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Due From Other Funds	Due to Other Funds: Proprietary Funds: Liquor Control Fund	Due to Other Funds: Proprietary Funds: State Lottery Fund	Due to Other Funds: Fiduciary Funds	Due to Other Funds: Total
General Fund	$ -	$ -	$ 13,132	$ 1,217,652
Transportation Fund	-	-	-	11,872
Education Fund	-	1,557,611	-	1,557,611
Special Fund	25,570	18,651	1,780,870	8,322,085
Federal Revenue Fund	-	-	-	998,506
Global Commitment Fund	-	-	-	69,070,790
Non-major Governmental Funds	-	-	-	14,732
Non-major Enterprise Funds	-	2,406	-	504,653
Internal Service Funds	162,375	43,250	-	13,997,618
Fiduciary Funds	-	-	-	24,676
Total	$ 187,945	$ 1,621,918	$ 1,794,002	$ 95,720,195

2. Advances To/From Other Funds

The General Fund has made cash advances to certain proprietary funds for imprest petty cash disbursements needs. The General Fund advances to other funds at June 30, 2023, are summarized below:

Proprietary Funds	
State Lottery Fund	$ 300,000
Total	$ 300,000

3. Interfund Receivables/Payables

The primary government cash in most funds is pooled in the State Treasurer's accounts. When a fund has a deficit cash balance, this amount is reclassified to a liability account - interfund payable. The General Fund reports the corresponding interfund receivable for the cash borrowed from the rest of the pool. It is expected that certain amounts due the General Fund from the Internal Service Funds will not be repaid within one year. It is expected that these interfund payable amounts will be reduced in future years through changes to billing rates and management of operations. The amount due to the Federal Revenue Fund is expected to be repaid within one year.

The interfund receivables/payables at June 30, 2023, are as follows:

(Table on next page.)

Interfund Payable	Interfund Receivable General Fund
Governmental Funds	
Non-major Governmental Funds	$ 65,632,915
Proprietary Funds	
Liquor Control Fund	4,387,384
Non-major Enterprise Funds	180,417
Internal Service Funds	44,541,769
Fiduciary Funds	
Custodial Funds	89,183
Total	$ 114,831,668

4. Inter - Primary Government/Component Unit Balances

Advances to component units consist of the amounts advanced under various agreements with the Vermont Economic Development Authority (VEDA) for specific programs. At June 30, 2023, the advances to component units reported in the General Fund ($5,500,000) are advances to Vermont Economic Development Authority. The State advance funded a loan for a portion of a project to build a State office building. The terms of the agreement require the principal repayments on the loan be held by VEDA until the funds are requested by the State.

Due from component units/Due to primary government consist of the amounts owed to the primary government for programs administered by component units, in accordance with memoranda of understanding with State departments, and for the elimination of negative balances in the State Treasurer's pooled cash. Due from primary government/Due to component units consist of amounts appropriated from the primary government's funds to the component units that had not been disbursed by fiscal year end.

At June 30, 2023, these account balances are as follows:

	Vermont Housing & Conservation Board	Vermont Veterans' Home	Total
Due from Component Units			
General Fund	$ 1,663,159	$ 7,921,406	$ 9,584,565
Due to Component Units			
General Fund	(126,193,806)	-	(126,193,806)
Education Fund	(14,268,480)	-	(14,268,480)
Federal Revenue Fund	(59,051)	-	(59,051)
Non-major Governmental Funds	(4,854,161)	-	(4,854,161)
Total	$ (143,712,339)	$ 7,921,406	$ (135,790,933)

5. Interfund Transfers

Transfers between funds occur when one fund collects revenues and transfers the assets to another for expenditure or when one fund provides working capital to another fund. All transfers are legally authorized by the Legislature through either statute or Appropriation Acts.

The Global Commitment Fund received transfers from the General and Special Funds for Medicaid related services provided under the Vermont Global Commitment to Health Medicaid waiver. The General Fund received a transfer of Liquor Control fund profits; the Federal Revenue Fund for Earned Federal Receipts and the Special Fund for transfer of Securities, Insurance and Captive Funds. The Non-major Governmental Funds received a transfer from the General fund for debt service payments. The Special Fund received transfers from the General Fund for the Tobacco Settlement Fund, from the Federal Revenue Fund for the earned income tax credit for the year, and from the Global Commitment Fund for special education school-based Medicaid services. The Education Fund received transfers from the State Lottery Fund to support the general State grant for local education, and the Special Fund for Medicaid services.

Interfund transfers for the fiscal year ended June 30, 2023, are as follows:

(Table on next page.)

	Transfers Out			
	Governmental Funds			
Transfers in	General Fund	Transportation Fund	Special Fund	Federal Revenue Fund
General Fund	$ -	$ -	$ 38,660,511	$ 4,641,960
Transportation Fund	-	-	-	-
Education Fund	-	-	10,320,754	-
Special Fund	50,054,554	4,673,832	-	20,923,913
Federal Revenue Fund	-	-	-	-
Global Commitment Fund	544,577,015	-	28,919,212	-
Non-major Governmental Funds	76,371,109	922,419	27,619	-
Unemployment Compensation Trust Fund	-	-	-	-
Liquor Control Fund	-	-	-	-
Non-major Enterprise Funds	-	-	-	-
Internal Service Funds	1,000,000	1,557,843	-	-
Total	$ 672,002,678	$ 7,154,094	$ 77,928,096	$ 25,565,873

continued below

	Transfers Out			
	Governmental Funds		Proprietary Funds	
Transfers in	Global Commitment Funds	Non-major Governmental Funds	Liquor Control Fund	State Lottery Fund
General Fund	$ -	$ -	$ 20,400,000	$ -
Transportation Fund	-	721,241	-	-
Education Fund	-	-	-	33,564,201
Special Fund	27,854,442	532,733	98,419	-
Federal Revenue Fund	-	5,753,070	-	-
Total	$ 27,854,442	$ 7,007,044	$ 20,498,419	$ 33,564,201

continued below

	Transfers Out	
	Proprietary Funds	
Transfers in	Non-major Enterprise Funds	Total
General Fund	$ 383,877	$ 64,086,348
Transportation Fund	-	721,241
Education Fund	-	43,884,955
Special Fund	996,000	105,133,893
Federal Revenue Fund	-	5,753,070
Global Commitment Fund	-	573,496,227
Non-major Governmental Funds	-	77,321,147
Internal Service Funds	-	2,557,843
Total	$ 1,379,877	$ 872,954,724

E. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2023, was as follows:

Primary Government

Governmental Activities	Beginning Balance	Additions	Deletions	Reclassifications	Ending Balance
Capital assets, not being depreciated					
Land, land use rights, and land improvements	$ 170,322,373	$ 15,492,070	$ -	$ -	$ 185,814,443
Construction in process	761,272,009	359,793,404	(441,448,369)	(8,002,537)	671,614,507
Works of art	136,003	-	-	-	136,003
Total capital assets, not being depreciated	931,730,385	375,285,474	(441,448,369)	(8,002,537)	857,564,953
Capital assets, being depreciated					
Buildings and improvements	762,728,811	29,286,814	(3,984,587)	-	788,031,038
Machinery and equipment	605,634,999	38,447,115	(12,015,060)	-	632,067,054
Infrastructure	3,305,962,922	365,442,532	(75,221,776)	-	3,596,183,678
Total capital assets, being depreciated	4,674,326,732	433,176,461	(91,221,423)	-	5,016,281,770
Less accumulated depreciation for					
Buildings and improvements	(364,949,983)	(22,839,386)	3,146,618	-	(384,642,751)
Machinery and equipment	(479,649,902)	(53,611,774)	11,033,353	-	(522,228,323)
Infrastructure	(1,438,093,104)	(151,418,666)	75,221,776	-	(1,514,289,994)
Total accumulated depreciation	(2,282,692,989)	(227,869,826)	89,401,747	-	(2,421,161,068)
Capital assets, being depreciated, net	2,391,633,743	205,306,635	(1,819,676)	-	2,595,120,702
Governmental activities capital assets, net, excluding intangible right-to-use assets	$ 3,323,364,128	$ 580,592,109	$ (443,268,045)	$ (8,002,537)	3,452,685,655
Intangible right-to-use assets, net (Note IV.E, page 112)					119,798,011
Total Governmental activities capital assets, net					$ 3,572,483,666

Business-type Activities	Beginning Balance	Additions	Deletions	Reclassifications	Ending Balance
Capital assets, being depreciated					
Buildings and improvements	$ 59,935	$ -	$ (59,935)	$ -	$ -
Machinery and equipment	6,058,554	166,433	(114,355)	-	6,110,632
Total capital assets, being depreciated	6,118,489	166,433	(174,290)	-	6,110,632
Less accumulated depreciation for					
Buildings and improvements	(59,935)	-	59,935	-	-
Machinery and equipment	(2,749,367)	(615,763)	114,355	-	(3,250,775)
Total accumulated depreciation	(2,809,302)	(615,763)	174,290	-	(3,250,775)
Capital assets, being depreciated, net	3,309,187	(449,330)	-	-	2,859,857
Business-type activities capital assets, net, excluding intangible right-to-use assets	$ 3,309,187	$ (449,330)	$ -	$ -	2,859,857
Intangible right-to-use assets, net (Note IV.E, page 113)					5,736,742
Total Business-type activities capital assets, net					$ 8,596,599

Fiduciary Activities	Beginning Balance	Additions	Deletions	Reclassifications	Ending Balance
Capital assets, being depreciated					
Machinery and equipment	$ 8,319,023	$ -	$ -	$ -	$ 8,319,023
Total capital assets, being depreciated	8,319,023	-	-	-	8,319,023
Less accumulated depreciation for					
Machinery and equipment	(6,948,577)	(650,798)	-	-	(7,599,375)
Total accumulated depreciation	(6,948,577)	(650,798)	-	-	(7,599,375)
Fiduciary activities capital assets, net	$ 1,370,446	$ (650,798)	$ -	$ -	$ 719,648

Primary Government

Governmental Activities	Beginning Balance	Additions	Deletions	Reclassifications	Ending Balance
Intangible right-to-use lease assets					
Land	$ 235,660	$ 29,030	$ (47,535)	$ -	$ 217,155
Buildings and improvements	94,247,384	2,915,227	(690,979)	-	96,471,632
Machinery and equipment	574,397	2,507,062	(83,933)	-	2,997,526
Total intangible right-to-use lease assets	95,057,441	5,451,319	(822,447)	-	99,686,313
Less accumulated amortization for					
Land	(30,917)	(32,157)	9,534	-	(53,540)
Buildings and improvements	(11,923,347)	(12,405,433)	525,110	-	(23,803,670)
Machinery and equipment	(186,597)	(253,093)	83,933	-	(355,757)
Total accumulated amortization	(12,140,861)	(12,690,683)	618,577	-	(24,212,967)
Total intangible right-to-use lease assets, net	82,916,580	(7,239,364)	(203,870)	-	75,473,346
Intangible right-to-use subscription-based information technology arrangements (SBITA's) assets					
SBITA assets	-	66,342,421	(438,472)	-	65,903,949
Total intangible right-to-use SBITA assets	-	66,342,421	(438,472)	-	65,903,949
Less accumulated amortization for					
SBITA assets	-	(22,017,756)	438,472	-	(21,579,284)
Total accumulated amortization	-	(22,017,756)	438,472	-	(21,579,284)
Total intangible right-to-use SBITA assets, net	-	44,324,665	-	-	44,324,665
Total governmental activities intangible right-to-use assets	95,057,441	71,793,740	(1,260,919)	-	165,590,262
Total accumulated amortization intangible right-to-use assets	(12,140,861)	(34,708,439)	1,057,049	-	(45,792,251)
Total governmental activities intangible right-to-use assets, net	$ 82,916,580	$ 37,085,301	$ (203,870)	$ -	$ 119,798,011

Business-type Activities	Beginning Balance	Additions	Deletions	Reclassifications	Ending Balance
Intangible right-to-use subscription-based information technology arrangements (SBITA's) assets					
SBITA assets	$ -	$ 6,289,604	$ -	$ -	$ 6,289,604
Total intangible right-to-use SBITA assets	-	6,289,604	-	-	6,289,604
Less accumulated amortization for SBITA assets	-	(552,862)	-	-	(552,862)
Total accumulated amortization	-	(552,862)	-	-	(552,862)
Total intangible right-to-use SBITA assets, net	$ -	$ 5,736,742	$ -	$ -	$ 5,736,742

Current period depreciation and amortization expense was charged to functions of the Primary Government as follows:

Governmental Activities	
General Government	$ 25,291,963
Protection to Persons and Property	11,255,773
Human Services	39,491,625
Labor	353,371
General Education	2,100,040
Natural Resources	3,224,478
Commerce & Community Development	264,816
Transportation	150,662,465
Depreciation on capital assets held by Internal Service Funds	29,933,734
Total	$ 262,578,265

Business-type Activities	
Liquor Control Fund	$ 681,954
State Lottery Fund	486,671
Total	$ 1,168,625

Fiduciary Activities	
Pension Trust Funds	$ 649,205
Private Purpose Trust Fund	1,593
Total	$ 650,798

F. Deferred Outflows and Deferred Inflows

Deferred outflows in the government-wide Statement of Net Position governmental activities consist of the unamortized balance of losses related to refunding of debt. Deferred inflows in the government-wide Statement of Net Position governmental activities consist of the unamortized balance of gains related to refunding of debt, the unamortized deferred inflow related to lease receivables, and property taxes collected in advance of levy date. For deferred outflows or inflows related to refunding of debt are determined by the difference between the reacquisition price (the amount placed in escrow to pay for advance refunding, and the principal amount remaining plus any call premium paid in a current refunding) and the net carrying amount of the old debt, is reported as a deferred outflow if a loss on refunding of debt and a deferred inflow if a gain on refunding of debt and recognized as a component of interest over the remaining life of the old debt or the life of the new debt, whichever is shorter. The deferred inflow of resources related to lease receivable is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date that relate to future periods, and is amortized evenly and recognized as revenue over the life of the lease term. Additional information regarding governmental and business-type activities' deferred outflows of resources and deferred inflows of resources related to pension and OPEB liabilities can be found in Note IV. G. 5.

Deferred outflows and inflows balances in the government-wide Statement of Net Position at June 30, 2023 are as follows:

Deferred outflows of resources	Total Governmental Activities	Total Business-type Activities	Total Primary Government
Loss on refunding of bonds payable	$ 2,155,751	$ -	$ 2,155,751
Pension related outflows	974,895,286	2,288,726	977,184,012
OPEB related outflows	400,590,035	9,223,309	409,813,344
Total	$ 1,377,641,072	$ 11,512,035	$ 1,389,153,107

Deferred inflows of resources	Total Governmental Activities	Total Business-type Activities	Total Primary Government
Prepaid property taxes	$ 3,772,562	$ -	$ 3,772,562
Gain on refunding of bonds payable	42,615	-	42,615
Lease related inflows	4,638,677	-	4,638,677
Pension related inflows	59,994	2,031,362	2,091,356
OPEB related inflows	1,319,378,181	12,323,940	1,331,702,121
Total	$ 1,327,892,029	$ 14,355,302	$ 1,342,247,331

Deferred inflows in the governmental funds Balance Sheet consist of prepaid property taxes, unavailable amounts related to revenue recognition, and the unamortized deferred inflow related to lease receivables. Revenues and other governmental fund financial resources are recognized in the accounting period in which they become both available and measurable. When an asset is recorded in governmental fund financial statements, but the revenue is not available, a deferred inflow of resources is reported until such time as the revenue becomes available.

G. Long-term Liabilities

1. General Obligation Bonds Payable

General obligation bonds payable have been authorized and issued primarily to provide funds for acquisition and construction of capital facilities for higher education, public and mental health, correctional facilities, environmental conservation purposes, maintenance and construction of highways, assistance to municipalities for construction of water and sewage systems, and local schools.

Once authorized by the Legislature, the State Treasurer, with the approval of the Governor, may issue general obligation bonds. The bonds are to be payable in substantially equal or diminishing amounts, the first such payment to be payable not later than five years after the date of the bonds, and the last such payment to be made no later than twenty years after the date of the bonds.

The changes in bonds principal payable for fiscal year 2023 are summarized in the following schedule:

(Table on next page.)

	General Obligation Bonds
Balance, July 1, 2022	$ 579,000,000
Deductions:	
Redemptions	(51,245,000)
Total	(51,245,000)
Balance, June 30, 2023	$ 527,755,000

General obligation outstanding at June 30, 2023, are as follows:

Date Issued	Date Series Matures	Interest Rates %	Amount of Original Issue	Maturity Value Sources of Payments General Fund	Maturity Value Sources of Payments Transportation Fund	Maturity Value of Bonds Outstanding Total
General Obligation Current Interest Bonds:						
10/11/2012	8/15/2024	2.0 to 5.0	$ 26,765,000	$ 4,860,000	$ -	$ 4,860,000
10/11/2012	8/15/2032	2.0 to 5.0	66,420,000	41,725,000	-	41,725,000
11/14/2013	8/15/2028	2.0 to 5.0	25,000,000	5,400,000	-	5,400,000
11/14/2013	8/15/2033	2.0 to 5.0	42,810,000	31,890,000	-	31,890,000
11/14/2013	8/15/2024	3.0 to 5.0	18,935,000	3,945,000	-	3,945,000
12/9/2014	8/15/2029	0.14 to 5.0	20,310,000	6,210,000	-	6,210,000
12/9/2014	8/15/2034	5	53,245,000	37,905,000	-	37,905,000
12/9/2014	8/15/2027	3.0 to 5.0	36,205,000	19,910,000	-	19,910,000
10/22/2015	8/15/2030	2.0 to 5.0	28,515,000	14,520,000	-	14,520,000
10/22/2015	8/15/2035	2.625 to 5.0	61,345,000	43,875,000	-	43,875,000
10/22/2015	8/15/2028	2.0 to 4.0	25,720,000	13,540,000	1,560,000	15,100,000
9/13/2017	8/15/2037	2.0 to 5.0	34,700,000	23,045,000	-	23,045,000
9/13/2017	8/15/2037	2.25 to 5.0	71,395,000	56,525,000	-	56,525,000
8/15/2019	2/15/2039	3.0 to 5.0	88,255,000	70,595,000	-	70,595,000
8/15/2019	8/15/2029	2.0 to 5.0	39,525,000	21,860,000	-	21,860,000
5/18/2021	8/15/2040	2.0 to 5.0	82,185,000	77,855,000	-	77,855,000
5/18/2021	8/15/2030	5	31,560,000	25,425,000	-	25,425,000
5/18/2021	8/15/2030	4.0 to 5.0	39,580,000	27,110,000	-	27,110,000
Total General Obligation Current Interest Bonds				**$ 526,195,000**	**$ 1,560,000**	**$ 527,755,000**

At June 30, 2023, there remains $289,457,492 of authorized but unissued general obligation bonds.

Future general obligation debt service requirements at June 30, 2023 are as follows:

	General Obligation Current Interest Bonds		
Fiscal Year	Principal	Interest	Total
2024……………….	$ 49,685,000	$ 20,017,481	$ 69,702,481
2025……………….	49,730,000	17,854,763	67,584,763
2026……………….	47,815,000	15,722,219	63,537,219
2027……………….	46,150,000	13,685,419	59,835,419
2028……………….	43,965,000	11,762,463	55,727,463
2029-2033………	178,620,000	34,585,881	213,205,881
2034-2038………	94,405,000	8,974,328	103,379,328
2039-2043………	17,385,000	521,549	17,906,549
Totals	$ 527,755,000	$ 123,124,103	$ 650,879,103

2. Bond Refundings

The State has no defeased bonds that remained outstanding on June 30, 2023.

3. Leases

A. Lease Receivable

The State, acting as lessor, leases land, buildings, machinery, and equipment under long-term, non-cancelable lease agreements. The leases expire at various dates through 2034, and many leases provide for a renewal option, the renewal terms vary depending on the lease contract. During the year ended June 30, 2023, the State recognized $1,394,841 and $50,091 in lease revenue and interest revenue, respectively, pursuant to these contracts.

Certain leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum or maximum increases.

Certain leases require the lessee to guarantee minimum residual values, or make termination penalties related to the cancelation of the lease. Payments required by residual value guarantees and termination penalties are recognized in the period in which the payment is received. During the year ended June 30, 2023, the State received no payments related to residual value guarantees or termination penalties.

Some leases require variable payments based on future performance of the lessee or usage of the underlying asset and are not included in the measurement of the lease receivable. Those variable payments are recognized as inflows of resources in the periods in which the payments are received. During the year ended June 30, 2023, the State received variable payments as required by lease agreements totaling $5,544,900.

B. Lease Liabilities

The State routinely leases land, buildings, machinery, and equipment for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2035, and many leases provide for a renewal option, the renewal terms vary depending on the lease contract.

Certain leases require the State to guarantee minimum residual values, or make termination penalties related to the cancelation of the lease. Payments required by residual value guarantees and termination penalties are recognized in the period in which the obligation is paid. During the year ended June 30, 2023, the State made no payments related to residual value guarantees or termination penalties.

Certain leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum or maximum increases.

Some leases require variable payments based on future performance of the lessee or usage of the underlying asset and are not included in the measurement of the lease liability. Those variable payments are recognized as outflows of resources in the periods in which the obligation for those payments is incurred. During the year ended June 30, 2023, the State made variable payments as required by lease agreements totaling $77,758.

The future principal and interest lease payments as of June 30, 2023, are as follows:

	Primary Government		
Fiscal Year	**Principal**	**Interest**	**Total**
2024……………….	$ 11,722,390	$ 1,156,595	$ 12,878,985
2025……………….	10,228,993	1,022,601	11,251,594
2026……………….	8,537,329	892,623	9,429,952
2027……………….	7,951,950	764,819	8,716,769
2028……………….	7,311,390	633,814	7,945,204
2029-2033……….	28,848,076	1,421,701	30,269,777
2034-2038……….	2,605,216	31,186	2,636,402
Totals	$ 77,205,344	$ 5,923,339	$ 83,128,683

4. Subscription-Based Information Technology Arrangements (SBITA's)

A. SBITA Liabilities

The State routinely enters in SBITA's for various terms under long-term, non-cancelable agreements. The SBITA's expire at various dates through 2032, and some SBITA's provide for a renewal option, the renewal terms vary depending on the individual SBITA.

Some SBITA's require variable payments based on future performance or usage of the underlying asset and are not included in the measurement of the SBITA liability. Those variable payments are recognized as outflows of resources in the periods in which the obligation for those payments is incurred. During the year ended June 30, 2023, the State made variable payments as required by the SBITA's totaling $3,449,409. Of this amount $563,889 is related to governmental activities, and $2,885,520 is related to business-type activities.

The future principal and interest lease payments as of June 30, 2023, are as follows:

(Table on next page.)

	Primary Government		
Fiscal Year	Principal	Interest	Total
2024..................	$ 12,447,120	$ 521,924	$ 12,969,044
2025..................	6,933,697	286,711	7,220,408
2026..................	4,173,859	150,909	4,324,768
2027..................	2,509,209	65,983	2,575,192
2028..................	849,023	27,885	876,908
2029-2033..........	2,338,368	45,883	2,384,251
Totals	$ 29,251,276	$ 1,099,295	$ 30,350,571

5. Retirement Plans and Other Postemployment Benefits

In accordance with State statutes, the State Treasurer and the individual retirement systems' Board of Trustees administer the State's three defined benefit pension plans and three defined contribution plans. In addition to providing pension benefits, the State also offers other postemployment medical insurance benefit plans to retirees of the Vermont State Retirement System and State Teachers' Retirement System. Disclosures relating to defined benefit pension plans are included in Note IV.G.5.A.1. below, those relating to defined contribution pension plans are included in Note IV.G.5.B. below, and those relating to other postemployment benefits (OPEB) are included in Note IV.G.5.C.1. below.

These systems are considered part of the State's reporting entity and are included in the accompanying financial statements as pension and other postemployment benefit trust funds in the fiduciary fund type. There are no separate stand-alone financial statements issued for these plans.

Summary of significant accounting policies – basis of accounting and valuation of investments
The financial statements for the pension and other postemployment benefit trust funds are prepared using the accrual basis of accounting. Plan members' contributions are recognized in the period in which the contributions are due. The employers' contributions are recognized when legally due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans. For purposes of measuring the net pension and OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the pension and OPEB plans and additions to/deductions from the plans' net position have been determined on the same basis as they are reported by the pension and OPEB plans. All investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on June 30, 2023. Securities without an established market are reported at estimated fair value. Additional information on the plans' investments may be found in Note IV. B. - Investments.

The State annually establishes a state defined benefit retirement contribution rate. The fiscal year 2023 employer contribution rate was 26.70% of payroll and consists of the following two components: 17.05% for Vermont State Retirement System defined benefit pension plan (VSRS) and 9.65% for the Vermont State Postemployment Benefits Trust Fund defined benefit OPEB plan (VSPB). The rates reflect estimates to fund the VSRS and the VSPB's actuarially determined contributions. Contributions to VSRS and VSPB totaled $116.4 million and $64.7 million, respectively, for the fiscal year ended June 30, 2023.

A. Defined Benefit Retirement Plans

In order to provide the necessary disclosures that are required under the various GASB Statements, the disclosures below are separated into three sections. The first section (Disclosures about the Defined Benefit Retirement Plans) offers disclosures about the plans themselves - descriptions of the plans and who is covered; an analysis of the membership of the various groups of the various plans as of the end of the fiscal year; a discussion of benefits provided by each of the plans, and the financial statements of each of the three defined benefit plans.

The second section (Financial Reporting of Net Pension Liability and Pension Expense by the Employer as required by GASB Statement No. 68) provides funding information regarding the pension plans that are required by GASB Statement No. 68 - changes in net pension liability (NPL), balances of deferred pension outflows of resources and deferred pension inflows of resources (including prospective schedules of amortization of the deferred outflows and inflows), and the calculation of pension expense for the year.

The third section (Net Pension Liability and Disclosures required by GASB Statement No. 67) provides the information that is required by GASB Statement No. 67 - the calculation of the net pension liability; the actuarial assumptions and census data that were used in calculating that NPL; the discount rate that was used in the calculations; and the sensitivity of the NPL to changes in the discount rate. The Statement of Plan Net Position and the Statement of Changes in Plan Net Position for the fiscal year ended June 30, 2023, are included at the end of this section.

1. Disclosures about the Defined Benefit Retirement Plans

This first section provides the disclosures about the defined benefit retirement plans required by GASB Statement No. 67, including the plan descriptions, benefits, and membership at June 30, 2023.

Plan Descriptions

The Vermont State Retirement System (VSRS) (3 V.S.A. Chapter 16) is a single employer defined benefit pension plan which covers substantially all general State employees and State Police, except employees hired in a temporary capacity. Membership in the system is a condition of employment.

Management of the plan is vested in the VSRS Retirement Board, which consists of an appointee of the Governor; State Treasurer; Commissioner of Human Resources; Commissioner of Finance and Management; three members of the Vermont State Employees' Association who are active members of the system (each chosen by such association in accordance with its articles of association) and one retired state employee who is a beneficiary of the system (to be elected by the Vermont Retired State Employees' Association).

The Vermont State Teachers' Retirement System (STRS) (16 V.S.A. Chapter 55) is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation. It covers nearly all public day school and nonsectarian private high school teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State that are controlled by the State Board of Education. Membership in the system for those covered classes is a condition of employment. During the year ended June 30, 2023, the retirement system consisted of 139 participating employers.

Management of the plan is vested in the STRS Board of Trustees, which consists of the Secretary of Education (ex-officio); the State Treasurer (ex-officio); the Commissioner of Financial Regulation (ex-officio); two trustees and one alternate who are members of the system (each elected by the members of the system under rules adopted by the board) and one trustee and one alternate who are retired members of the system receiving retirement benefits (who are elected by the Association of Retired Teachers of Vermont).

The Vermont Municipal Employees' Retirement System (MERS) (24 V.S.A., Chapter 125) is a cost-sharing, multiple-employer defined benefit pension plan designed for school districts and other municipal employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirement is required to join the system. During the year ended June 30, 2023, the retirement system consisted of 357 participating employers.

Management of the plan is vested in the MERS Retirement Board of Trustees, which consists of the State Treasurer; two employee representatives who at all times during their term of office are contributing members and have completed five years of creditable service (each elected by the membership of the system); one employer representative who shall at all times during their term of office be a member of the governing body, chief executive officer or supervisor of a participating employer (elected by the membership of the system) and one employer representative who shall at all times during their term of office be a member of the governing body, chief executive officer or supervisor of a participating employer (appointed by the Governor from candidates jointly submitted by the Vermont League of Cities and Towns and the Vermont School Boards Association).

Copies of each individual defined benefit retirement plan's annual actuarial valuation report, and information describing each defined benefit plan's provisions in greater detail, are available for inspection at the Retirement Division, Office of the State Treasurer, 109 State Street, Montpelier, Vermont 05609-6901.

Membership of the Vermont State Retirement System is made up of the following:

Group A: General employees who did not join the non-contributory system on July 1, 1981
Group C: State police, law enforcement positions, and airport firefighters
Group D: Judges
Group F: Terminated vested members of the non-contributory system and all other general employees

Membership of the State Teachers' Retirement System is made up of the following:

Group A: General teachers who did not join the non-contributory system on July 1, 1981
Group C: Terminated vested members of the non-contributory system and all other general teachers

Membership of the Vermont Municipal Employees' Retirement System is made up of the following:

Group A: General employees whose legislative bodies have not elected to become a member of Group B or C
Group B & C: General employees whose legislative bodies have elected to become members of Group B or C
Group D: Sworn police officers, firefighters and emergency medical personnel

At June 30, 2023, the State Treasurer's Office reports the following membership of each of the defined benefit plans by status and group:

	Vermont State Retirement System	Vermont State Teachers Retirement System	Vermont Municipal Employees Retirement System
Total Active Members	8,611	10,618	8,393
Retirees and beneficiaries currently receiving benefits	8,058	10,431	4,431
Terminated employees entitled to benefits but not yet receiving them (vested)	844	998	1,095
Inactive members	2,287	3,167	4,544
Total Members	19,800	25,214	18,463

Contributions

Vermont State Retirement System. Title 3 VSA Chapter 16 of Vermont Statutes grant the authority to the retirement board to review annually the amount of state contribution recommended by the actuary of the retirement system as necessary to achieve and preserve the financial integrity of the fund and submit this recommendation to the Governor and both houses of the Legislature. Employee contributions are established in Chapter 16. Contribution rates for the fiscal year ended June 30, 2023, for the various groups are as follows:

Vermont State Retirement System	Group A	Group C	*Group D	*Group F
Employee Contributions	6.65% of gross payroll	9.03% of gross payroll	1st Quartile - 6.65% 2nd Quartile - 7.15% 3rd Quartile - 7.15% 4th Quartile - 7.15%	1st Quartile - 6.65% 2nd Quartile - 7.15% 3rd Quartile - 7.15% 4th Quartile - 7.15%
Employer Contributions	17.05% of gross payroll	17.05% of gross payroll	17.05% of gross payroll	17.05% of gross payroll
*Contributions rates are based on where the employees' hourly pay rate falls into the 4 hourly pay rate quartiles, and is applied to all pay that is subject to retirement contributions.				

State Teachers' Retirement System. Title 16 VSA Chapter 55 of Vermont Statutes grant the authority to the board of trustees of the system to annually review the amount of State contribution recommended by the actuary of the retirement system to achieve and preserve the financial integrity of the fund and submit this recommendation to the Governor and both houses of the Legislature. The board of trustees also certifies the rates of contribution payable by employees. Contribution rates for the fiscal year ended June 30, 2023, for the various groups are as follows:

Vermont State Teachers Retirement System	Group A	*Group C - Group #1 & #2
Employee Contributions	5.50% of gross salary	Salary Range $40,000.00 or less - 6.00% $40,000.01 to $50,000.00 - 6.05% $50,000.01 to $60,000.00 - 6.10% $60,000.01 to $70,000.00 - 6.20% $70,000.01 to $80,000.00 - 6.25% $80,000.01 to $90,000.00 - 6.35% $90,000.01 to $100,000.00 - 6.50% $100,000.01 or more - 6.65%
Non-employer Contributions	Appropriation based on June 2021 actuarial recommendation of amount needed to fund benefits earned during the year (5.93% of projected payroll), plus amount needed to liquidate the accrued liability over the remaining amortization period ($163,018,686).	
*Employee Contributions are based on where employees' base salary and any additional stipends paid falls in the salary range chart.		

Vermont Municipal Employees Retirement System. Title 24 VSA Chapter 125 of Vermont Statutes grant the authority to the retirement board to annually review the amount of municipalities contribution recommended by the actuary of the retirement system to achieve and preserve the financial integrity of the fund and certify the rates of contributions payable by employers. The board of trustees also certifies the rates of contribution payable by employees. Contribution rates for the fiscal year ended June 30, 2023, for the various groups are as follows:

Vermont Municipal Employees Retirement System	Group A	Group B	Group C	Group D
Employee Contributions	3.500% of gross salary	5.875% of gross salary	11.000% of gross salary	12.350% of gross salary
Employer Contributions	5.000% of gross salary	6.500% of gross salary	8.250% of gross salary	10.850% of gross salary

Benefits provided

Benefit terms are established or amended in accordance with 3 V.S.A. Chapter 16 for the Vermont State Retirement System, in accordance with 16 V.S.A. Chapter 55 for the Vermont State Teachers Retirement System, and in accordance with 24 V.S.A Chapter 125 for the Vermont Municipal Employees Retirement System.

Details of the pension benefits provided by each of the retirement plans are included on the next 3 pages:

(Notes continue on next page.)

Vermont State Retirement System	Group A	Group C	Group D	Group F *Hired Before 7/1/08*	Group F *Hired On or After 7/1/08*
Average Final Compensation (AFC)	Highest 3 consecutive years, including unused annual leave payoff	Highest 2 consecutive years, including unused annual leave payoff	If served 5 or more years as a judge in Group D and are 57 years of age on or before 06/30/2022, or are a Group D member with 15 or more years of service on or before 06/30/2022 - AFC is final salary at retirement. All other - average earned income from final 2 years of service	Highest 3 consecutive years, excluding unused annual leave payoff	Highest 3 consecutive years, excluding unused annual leave payoff
Benefit Formula	1.67% x AFC x creditable service	2.5% x AFC x creditable service up to 20 years	3.33% x AFC x creditable service (after 12 years in Group D)	1.25% x AFC x service prior to 12/31/90 + 1.67% x AFC x service after 1/1/91	1.25% x AFC x service prior to 12/31/90 + 1.67% x AFC x service after 1/1/91
Maximum Benefit Payable	100% of AFC	If eligible for retirement on 07/01/2022 or after: 50% of AFC, but for each year of service that is completed on or after 7/1/2022, after attaining age 50 and 20 years of service, maximum retirement allowance cap increases 1.5% for each additional year of service. All others: 50% of AFC.	100% of final salary if served 5 or more years as a judge in Group D and are 57 years of age on or before 06/30/2022, or are a Group D member with 15 or more years of service on or before 06/30/2022. All other - 80% of your salary at retirement	50% of AFC	60% of AFC
Normal Retirement (no reduction)	Age 65 with 5 years of service or 62 with 20 years of service	Age 55, mandatory at 57 years of age	If first appointed or elected on or before 06/30/2022 - Age 62 with 5 years of service, if first appointed or elected on or after 07/01/2022 - Age 65 with 5 years of service	Age 62 or with 30 years of service	Age 65 or a combination of age & service credit that equals 87
Early Retirement Eligibility	Age 55 with 5 years of service or 30 years of service (any age)	Age 50 with 20 years of service	Age 55 with 5 years of service or 30 years of service (any age)	Age 55 with 5 years of service	Age 55 with 5 years of service
Early Retirement Reduction	Actuarially reduced benefit if under 30 years of service	No reduction	3% per year from age 62	6% per year preceding age 62	No reduction if age 65 with 5 years of service, or if combination of age and service equal to 87; otherwise, monthly reduction preceding age 65 based on years of service: 35+ years - 1/8th of 1%; 30-34 years - 1/4th of 1%; 25-29 years - 1/3rd of 1%; 20-24 years - 5/12th of 1%; less than 20 years - 5/9th of 1%
Post-Retirement COLA	Full CPI, up to a maximum of 5%, after 12 months of retirement	If eligible for retirement on 07/01/2022 or after: 100% CPI, with a ceiling of 4% and a floor of 1%, must have collected a benefit for 24 months prior to the COLA effective date. All others: Full CPI, up to a maximum of 5%, after 12 months of retirement.	If eligible for retirement on 07/01/2022 or after: 100% CPI if CPI is greater than 1%, with a ceiling of 5% for amounts equal to or less than $75,000 annual retirement allowance, 50% CPI if CPI is greater than 1%, with a ceiling of 5% for amounts greater than $75,000 annual retirement allowance. No COLA if CPI is less than 1%, must have collected a benefit for 24 months prior to the COLA effective date. All others: Full CPI, up to a maximum of 5%, after 12 months of retirement.	If eligible for retirement on 07/01/2022 or after: 100% CPI, with a ceiling of 4% and a floor of 1%, must have collected a benefit for 24 months prior to the COLA effective date. Will not receive a COLA until have met normal retirement age. All others: for members retiring on or after 07/01/2008, 100% of a fiscal year CPI increase. For members who retired before 07/01/2008, 50% of a fiscal year CPI increase. Annual COLA adjustments have a minimum of 1% and maximum of 5%.	If eligible for retirement on 07/01/2022 or after: 100% CPI, with a ceiling of 4% and a floor of 1%, must have collected a benefit for 24 months prior to the COLA effective date. Will not receive a COLA until have met normal retirement age. All others: annual COLA adjustments are 100% of a fiscal year CPI increase, with a minimum of 1% and maximum of 5%.
Disability Benefit*	Unreduced, accrued benefit with minimum of 25% of AFC	Unreduced, accrued benefit with minimum of 25% of AFC, with children's benefit of 10% of AFC to maximum of three concurrently, if injured on the job 50% of AFC.	Unreduced, accrued benefit with minimum of 25% of AFC	Unreduced, accrued benefit with minimum of 25% of AFC	Unreduced, accrued benefit with minimum of 25% of AFC
Death-in-Service Benefit	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently	70% of accrued benefit with no actuarial reduction applied, plus children's benefit	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently

* Service connected disability has no minimum service requirement, ordinary disability requires 5 years of service.

(Notes continue on next page.)

Vermont State Teachers Retirement System	Group A	Group C - Group #1*	Group C - Group #2**
Average Final Compensation (AFC)	Highest 3 consecutive years, including unused annual leave, sick leave, and bonus/incentives	Highest 3 consecutive years, excluding all payments for anything other than service actually performed	Highest 3 consecutive years, excluding all payments for anything other than service actually performed
Benefit Formula	1.67% X creditable service X AFC	1.25% X service prior to 6/30/90 X AFC + 1.67% X service after 7/1/90 X AFC	1.25% X service prior to 6/30/90 X AFC + 1.67% X service after 7/1/90 X AFC, 2% X AFC after attaining 20.0 years
Maximum Benefit Payable	100% of AFC	53.34% of AFC	60% of AFC
Normal Retirement (no reduction)	Age 60 or with 30 years of service	Age 62 or with 30 years of service	Age 65 or when the sum of age and service credit equals 90
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Early Retirement Reduction	Actuarial reduction	6% per year from age 62	Actuarial reduction
Post-Retirement COLA	Full CPI, up to a maximum of 5%, after 12 months of retirement	If retired or eligible for retirement on 06/30/2022 or before: 50% CPI, up to a maximum of 5% after 12 months of normal retirement or with 30 years, or age 62; minimum of 1%. If eligible for retirement on 07/01/2022 or after: 50% CPI, up to a maximum of 4% after 24 months of retirement prior to the COLA effective date.	If retired or eligible for retirement on 06/30/2022 or before: 50% CPI, up to a maximum of 5% minimum of 1% after 12 months of normal retirement or age 65. If eligible for retirement on 07/01/2022 or after: 50% CPI, up to a maximum of 4% after 24 months of retirement prior to the COLA effective date.
Disability Benefit***	Unreduced, accrued benefit with minimum of 25% of AFC	Unreduced, accrued benefit with minimum of 25% of AFC	Unreduced, accrued benefit with minimum of 25% of AFC
Death-in-Service Benefit	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefit up to maximum of three concurrently	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently

* Group #1 are members who were at least 57 years old or had at least 25 years of service on June 30, 2010.
** Group #2 members who were under 57 years of age or had less than 25 years of service on June 30, 2010.
*** Must have 5 or more years of creditable service, and served as a teacher in the state during the 5 years immediately preceding the date of separation from service.

(Notes continue on next page.)

Vermont Municipal Employees Retirement System	Group A	Group B	Group C	Group D
Average Final Compensation (AFC)	Highest 5 consecutive years	Highest 3 consecutive years	Highest 3 consecutive years	Highest 2 consecutive years
Benefit Formula	1.4% x creditable service x AFC	1.7% x creditable service x AFC + previous service:1.4% x Group A x AFC	2.5% x creditable service x AFC + previous service:1.4% x Group A x AFC; 1.7% x Group B x AFC	2.5% x creditable service x AFC + previous service:1.4% x Group A x AFC; 1.7% x Group B x AFC; 2.5% x Group C x AFC
Maximum Benefit Payable	60% of AFC	60% of AFC	50% of AFC	50% of AFC
Normal Retirement (no reduction)	Age 65 with 5 years of service or 55 with 35 years of service	Age 62 with 5 years of service or 55 with 30 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	N/A	Age 50 with 20 years of service
Early Retirement Reduction	6% per year from age 65 *1	6% per year from age 62 *	N/A	No reduction
Post-Retirement COLA	50 % of CPI, up to 2% per year	50 % of CPI, up to 3% per year	50 % of CPI, up to 3% per year	50 % of CPI, up to 3% per year
Disability Benefit	Unreduced, accrued benefit	Unreduced, accrued benefit	Unreduced, accrued benefit	Unreduced, accrued benefit plus children's benefit representing 10% of AFC to maximum of three concurrently
Death-in-Service Benefit	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied	70% of accrued benefit with no actuarial reduction applied, plus children's benefit

* A special early retirement factor of 3% per year only for municipal police officers who have attained age 60.

2. Employer Reporting of Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pension Plans as required by GASB Statement No. 68

This section includes the information that is required to be reported by employers per GASB Statement No. 68. It reports information regarding the calculation of the State's net pension liability, including changes during the measurement period in both total pension liability and plan net position; balances in the various components of deferred pension outflows of resources and deferred pension inflows of resources and the amounts to be recognized in pension expense in future periods; and the calculation of pension expense. In addition to presenting the NPL, this section also includes information on the actuarial assumptions and census data used in the valuation, the discount rate that was used to calculate the NPL, and disclosures as to the sensitivity of the NPL to changes in the discount rate.

The State is responsible for 99.1039% of the VSRS net pension liability. The Vermont Veterans' Home (a discrete component unit) is responsible for 0.8961% of the VSRS net pension liability. The State is responsible for 100% of the STRS net pension liability as a non-employer contributing entity. The information presented in this section is for those two plans. The State does not participate in the MERS plan, so no employer information is presented for that plan.

Reporting Date, Measurement Date, and Valuation Date (Employer Reporting)

Net pension liabilities, deferred pension outflows of resources, deferred pension inflows of resources, and pension expense are all presented as of the State's reporting date (June 30, 2023) and for the State's reporting period (the year ended June 30, 2023). These amounts are measured as of the measurement date and for the measurement period (the period between the prior and current measurement dates). GASB Statement No. 68 requires that the current measurement date be no earlier than the end of the employer's prior fiscal year. For the reporting date of June 30, 2023, the State has chosen to use the end of the prior fiscal year (June 30, 2022) as the measurement date, and the year ended June 30, 2022, as the measurement period.

The total pension liability is determined by an actuarial valuation performed as of the measurement date, or by the use of update procedures to roll forward to the measurement date amounts from an actuarial valuation as of a date no more than 30 months and 1 day earlier than the employer's most recent fiscal year-end. The State has elected to apply update procedures to roll forward amounts from an actuarial valuation performed as of June 30, 2021, to the measurement date of June 30, 2022. There were no material changes in assumptions or benefit terms that occurred between the actuarial valuation date and the measurement date.

Net Pension Liabilities (Employer Reporting)

The net pension liability (NPL) is measured as the portion of the actuarial present value of projected benefit payments that is attributable to past periods of employee service, net of the pension plan's fiduciary net position. The changes in the components for the measurement period are as follows (amounts are in thousands):

	Vermont State Retirement System			State Teachers' Retirement System		
	Increase (Decrease)			Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a-b)	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a-b)
Balances - June 30, 2021	$ 3,255,050	$ 2,425,222	$ 829,828	$ 4,118,283	$ 2,422,793	$ 1,695,490
Changes for the year:						
Service cost	67,752	-	67,752	71,861	-	71,861
Interest	226,513	-	226,513	285,340	-	285,340
Benefit changes	(49,146)	-	(49,146)	(32,528)	-	(32,528)
Difference between expected and actual experience	74,201	-	74,201	52,714	-	52,714
Contributions - employer	-	197,523	(197,523)	-	-	-
Contributions - non-employer	-	-	-	-	314,664	(314,664)
Contributions - employee	-	44,655	(44,655)	-	44,597	(44,597)
Net investment income	-	(215,474)	215,474	-	(223,275)	223,275
Benefit payments, including refunds of contributions	(173,791)	(173,791)	-	(227,698)	(227,698)	-
Administrative expenses	-	(2,352)	2,352	-	(2,715)	2,715
Other changes	-	862	(862)	-	11,047	(11,047)
Net changes	145,529	(148,577)	294,106	149,689	(83,380)	233,069
Balances - June 30, 2022	$ 3,400,579	$ 2,276,645	$ 1,123,934	$ 4,267,972	$ 2,339,413	$ 1,928,559
Fiduciary net position as a percentage of total pension liability			66.95%			54.81%

Proportionate Share of Net Pension Liability

	Vermont State Retirement System			
		Proportionate Share		
	Amount	2022	2021	Change
Governmental activities	$ 1,109,401	98.7070%	97.7352%	0.9718%
Business type activities	4,461	0.3969%	0.6679%	-0.2710%
Discrete component unit	10,072	0.8961%	1.5969%	-0.7008%
Total net pension liability	1,123,934	100.0000%	100.0000%	

	State Teachers' Retirement System			
		Proportionate Share		
	Amount	2022	2021	Change
Governmental activities	1,928,559	100.0000%	100.0000%	0.0000%
Total governmental activities net pension liability	$ 3,037,960			

Additional information regarding the changes in the net pension liability for the year ended June 30, 2023, can be found in the Required Supplementary information immediately following these notes to the financial statements.

Deferred Pension Outflows of Resources and Deferred Pension Inflows of Resources (Employer Reporting)

Most changes in the net pension liability are included in pension expense during the year of change. Changes resulting from current-period service cost, interest on the total pension liability, and changes in benefit terms are required to be included in pension expense immediately. Similarly, projected earnings on the pension plan's investments are also required to be included in the determination of pension expense immediately.

The effects of certain other changes in the net pension liability are required to be included in pension expense over the current and future periods, depending on the nature of the change.

The effect on the net pension liability of differences between the projected earnings on pension plan investments and actual experience with regard to those earnings is required to be included in pension expense in a systematic and rational manner over a closed period of five years, beginning with the current period. Changes in the net pension liability not included in pension expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to pensions. This treatment arises from the concept that these changes result from the use of estimates, where probabilities of events range from 0 to 100 percent, while actual events either occur or do not occur. Therefore, differences between some estimates and actual experience will occur with every measurement that incorporates future events.

The effects on the total pension liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees), beginning with the current period. Changes in the net pension liability not included in pension expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to pensions. This treatment arises from the concept that pensions arise from an exchange between employer and employee of salaries and benefits for employee service each period and that these transactions and related pension measurements are viewed in the context of ongoing, career-long employment relationships.

Employer contributions subsequent to the measurement date of the net pension liability are required to be reported as deferred outflows of resources, and will be recognized as a reduction of the net pension liability at June 30, 2024. As of June 30, 2023, the State reported the following deferred pension outflows of resources and deferred pension inflows of resources (amounts are in thousands):

	Vermont State Retirement System			
	Primary Government		Discrete Component Units	
Source	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 130,464	$ -	$ 1,180	$ -
Changes of assumptions	103,953	-	940	-
Net differences between projected and actual earnings on plan investments	123,354	-	1,115	-
Change in proportion and the effect of certain employer contributions on the employer's net pension liability	7,430	2,091	58	5,397
Employer contributions made subsequent to the measurement date	114,926	-	1,461	-
Total	$ 480,127	$ 2,091	$ 4,754	$ 5,397

	State Teachers' Retirement System	
	Primary Government	
Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 110,547	$ -
Changes of assumptions	77,742	-
Net differences between projected and actual earnings on plan investments	120,672	-
Employer contributions made subsequent to the measurement date	188,096	-
Total	$ 497,057	$ -

Source	Primary Government Total Deferred Outflows of Resources	Primary Government Total Deferred Inflows of Resources
Differences between expected and actual experience	$ 241,011	$ -
Changes of assumptions	181,695	-
Net differences between projected and actual earnings on plan investments	244,026	-
Change in proportion and the effect of certain employer contributions on the employer's net pension liability	7,430	2,091
Employer contributions made subsequent to the measurement date	303,022	-
Total	$ 977,184	$ 2,091

The amounts reported as deferred pension outflows of resources resulting from employer contributions made subsequent to the measurement date (VSRS - $114.926 million Primary Government and $1.461 million Component Units; and STRS - $188.096 million Primary Government), will be recognized as a reduction of the net pension liability at June 30, 2024. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, will be recognized in pension expense as follows (amounts are in thousands):

	State Teachers' Retirement System	Vermont State Retirement System	Total	Vermont State Retirement System
Year Ended June 30	**Primary Government**	**Primary Government**	**Primary Government**	**Discrete Component Units**
2024	$ 130,259	$ 102,805	$ 233,064	$ (182)
2025	39,288	83,188	122,476	(418)
2026	27,612	63,894	91,506	(500)
2027	103,016	100,013	203,029	(161)
2028	8,786	13,210	21,996	(843)
Total	$ 308,961	$ 363,110	$ 672,071	$ (2,104)

Pension Expense (Employer Reporting)

As discussed above, most changes in the net pension liability are included in pension expense in the year of change, including changes resulting from current-period service cost, interest on the total pension liability, changes in benefit terms, and projected earnings on the pension plan’s investments. Other changes in net pension liability are recorded as deferred pension outflows of resources and deferred pension inflows of resources and included in pension expense on a systematic and rational manner over current and future periods.

Pension expense for the year ended June 30, 2023, is as follows (amounts are in thousands):

(Table on next page.)

	State Teachers' Retirement System	Vermont State Retirement System	Total	Vermont State Retirement System
	Primary Government	Primary Government	Primary Government	Discrete Component Units
Service cost	$ 71,861	$ 67,145	$ 139,006	$ 607
Interest on total pension liability	285,340	224,484	509,824	2,030
Employee contributions	(44,597)	(44,255)	(88,852)	(400)
Changes in benefit terms	(32,528)	(48,706)	(81,234)	(440)
Plan administrative costs	2,715	2,332	5,047	20
Other changes	(11,047)	(855)	(11,902)	(8)
Projected earnings on plan investments	(174,492)	(170,565)	(345,057)	(1,542)
Recognition (amortization) of deferred pension outflows of resources:				
Difference between expected and actual experience	8,786	12,256	21,042	111
Net difference between projected and actual investment earnings	79,553	76,822	156,375	695
Recognition of deferred outflows from prior periods	125,300	95,756	221,056	866
Changes in proportional share of contributions	-	1,647	1,647	122
Recognition (amortization) of deferred pension inflows of resources:				
Recognition of deferred inflows from prior periods	(75,404)	(71,629)	(147,033)	(648)
Changes in proportional share of contributions	-	(609)	(609)	(1,160)
Total Pension Expense	$ 235,487	$ 143,823	$ 379,310	$ 253

Actuarial Methods and Assumptions (Employer Reporting)

Methods and assumptions used to determine pension expense and the total pension liability are based on a valuation date of June 30, 2021, for VSRS and STRS.

(Table on next page.)

	VSRS	STRS
Valuation date	6/30/2021*	6/30/2021*
Inflation assumptions	2.30%	2.30%
Investment rate of return	7.00%	7.00%
Projected salary increases	3.40% - 5.55%	3.55% - 10.50%
Cost of living adjustments	The January 1, 2022 COLA: Groups A, C, D, F (retired on or after 7/1/2008) - 4.60%, Group F (retired before 7/1/2008) - 2.30%	The January 1, 2022 COLA: Group A: 4.60%; Group C: 2.30%
Post Retirement Adjustments: assumed annual rate of cost-of-living increases	Groups A, C & D and F (retiring on or after 7/1/2008): 2.40%; Group F (retiring before 7/1/2008) : 1.35%. Group C retiring on or after 07/01/2022: 2.15%. Group F retiring on or after 07/01/2022: 2.25%. Group D retiring on or after 07/01/2022: 2.40% on the first $75,000 of retirement benefits, and 1.15% on amounts above $75,000 of retirement benefits.	Group A: 2.40%; Group C: 1.35%. Group C retiring on or after 07/01/2022: 1.20%
Census Data for 2021 Valuation Retired members or beneficiaries currently receiving benefits	7,716	10,106
Inactive members	1,716	2,915
Active members	8,192	9,955
Terminated vested members	771	911
Total membership	18,395	23,887
*Valuation date is rolled forward to the measurement date of June 30, 2022 using standard actuarial techniques		

Mortality rates are based as follows for the various retirement systems:

Vermont State Retirement System

Pre-retirement Mortality: Groups A & F: 60% of PubG-2010 General Employee Amount-Weighted Above Median, 40% of PubG-2010 General Employee Amount-Weighted with generational projection using scale MP-2019. Group C: PubS-2010 Public Safety Employee Amount-Weighted with generational projection using scale MP-2019. Group D: 70% of PubG-2010 General Employee Amount-Weighted Above Median, 30% of PubG-2010 General Employee with generational projection using scale MP-2019.

Post-retirement Retiree Mortality: Groups A & F: 109% of PubG-2010 General Healthy Retiree Amount-Weighted with generational projection using scale MP-2019. Group C: 40% of PubS-2010 Public Safety Retiree Amount-Weighted Above Median, 60% of PubS-2010 Public Safety Retiree Amount-Weighted with generational projection using scale MP-2019. Group D: PubG-2010 General Healthy Retiree Amount-Weighted Above Median with generational projection using scale MP-2019.

Post-retirement Beneficiaries Mortality: Groups A & F: Pub-2010 Contingent Survivor Amount-Weighted with generational projection using MP-2019. Group C: 40% of Pub-2010 Contingent Survivor Amount-Weighted Above Median, 60% of Pub-2010 Contingent Survivor Amount-Weighted with generational projection using MP-2019. Group D: Pub-2010 Contingent Survivor Amount-Weighted Above Median with generational projection using MP-2019.

Disabled Post-retirement Mortality: All Groups were based on the PubNS-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table with generational projection using scale MP-2019.

Vermont State Teachers' Retirement System

Pre-retirement Mortality: All Groups were based on the PubT-2010 Teacher Employee Amount-Weighted Table with generational projection using scale MP-2019.

Post-retirement Retiree Mortality: All Groups based on the PubT-2010 Teacher Healthy Retiree Amount-Weighted Table with generational projection using scale MP-2019.

Post-retirement Beneficiaries Mortality: All Groups based on 109% of the Pub-2010 Contingent Survivor Amount-Weighted Table with generational projection using scale MP-2019.

Disabled Post-retirement Mortality: All Groups were based on the PubNS-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table with generational projection using scale MP-2019.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2019. Actuarial valuations attempt to estimate costs associated with the pension system based on a number of demographics, economic, and retirement experience assumptions. To the extent assumptions are at variance to experience, this can result in actuarial gains and losses ultimately impacting contribution rates and the development of the actuarially required contribution. Experience studies are required by statute to be conducted every five years to review actual experience in comparison to these assumptions and to provide recommended changes to assumptions.

The long-term expected rate of return on pension plan investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variables and the asset classes. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2022, measurement date are summarized in the following table:

(Table on next page.)

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Passive Global Equity	24.00%	4.30%
Active Global Equity	5.00%	4.30%
US Equity – Large Cap	4.00%	3.25%
US Equity – Small/Mid Cap	3.00%	3.75%
Non-US Developed Market Equities	7.00%	5.00%
Private Equity	10.00%	6.50%
Emerging Market Debt	4.00%	3.50%
Private & Alternate Credit	10.00%	4.75%
Non-Core Real Estate	4.00%	6.00%
Core Fixed Income	19.00%	0.00%
Core Real Estate	3.00%	3.50%
US TIPS	3.00%	-0.50%
Infrastructure/Farmland	4.00%	4.25%
Total	100.00%	

Nominal long-term expected rates of return for these asset classes are equal to the sum of the above expected long-term real rates and the expected long-term inflation rate of 2.3%.

Discount Rate (Employer Reporting)

The discount rate used to measure the total pension liability as of June 30, 2022 measurement date was 7.00% for the VSRS and STRS. The discount rate used for the prior year was 7.00% for the VSRS and STRS. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current System members. The assumed discount rate has been determined in accordance with the method prescribed by GASB Statement No. 68.

The annual money-weighted rate of return on pension plan investments calculated as the internal rate of return on pension plan investments, net of pension plan investment expenses for the year ended June 30, 2022, measurement date was -7.42% for VSRS, and -7.41% for STRS. Amounts for the prior year were 24.59%, and 24.75% respectively. A money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate (Employer Reporting)

The following presents the net pension liability of the various retirement systems (at the June 30, 2022, measurement date), calculated using the discount rates determined above, as well as what the systems' net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate (amounts are in thousands):

(Table on next page.)

	VSRS	STRS
One-percent decrease		
Discount rate	6.00%	6.00%
Net pension liability	$ 1,562,330	$ 2,455,235
Net pension liability, as reported		
Discount rate	7.00%	7.00%
Net pension liability	$ 1,123,934	$ 1,928,559
One-percent increase		
Discount rate	8.00%	8.00%
Net pension liability	$ 762,918	$ 1,490,986

Payable to the Defined Benefit Pension Plan (Employer Reporting)

At June 30, 2023, the State reported a payable of $6,049,656 for the outstanding amount of contributions to the VSRS pension plan required for the year ended June 30, 2023.

3. Net Pension Liability and Disclosures required by GASB Statement No. 67 (Plan Reporting)

This section includes the information that is required to be presented by GASB Statement No. 67, reporting on the financial statements for the defined benefit plans for the year ended June 30, 2023. Separate valuations were performed by the State’s actuary to calculate the total pension liability in accordance with this standard for financial reporting by pension plans and calculates the net pension liability (NPL). The plans' valuations as of June 30, 2022, were rolled forward to the pension plans’ fiscal year end of June 30, 2023. In addition to presenting the NPL, this section also includes information on the actuarial assumptions used in the valuation, the discount rate that was used to calculate the NPL, and disclosures as to the sensitivity of the NPL to changes in the discount rate.

Net Pension Liabilities (Plan Reporting)

The components of the net pension liabilities of the defined benefit retirement plans at June 30, 2023, are shown as follows with amounts in thousands:

	Vermont State Retirement System	Vermont State Teachers' Retirement System	Vermont Municipal Employees Retirement System
Total pension liability	$ 3,579,984	$ 4,397,768	$ 1,232,407
Fiduciary net position	(2,423,230)	(2,527,709)	(912,113)
Net pension liability	$ 1,156,754	$ 1,870,059	$ 320,294
Fiduciary net position as a percentage of total pension liability	67.69%	57.48%	74.01%

Additional information regarding changes in the net pension liability for the year ended June 30, 2023, can be found in the Required Supplementary Information section immediately following these notes to the financial statements.

Actuarial Assumptions (Plan Reporting)

The June 30, 2023, total pension liability was determined by rolling forward the total pension liability as of June 30, 2022, to June 30, 2023, using the actuarial assumptions and methods used in the June 30, 2022 actuarial valuation of the plans. There were no material changes in assumptions or benefit terms that occurred between the actuarial valuation date and the measurement date.

(Table on next page.)

	VSRS	STRS	MERS
Valuation date	6/30/2022*	6/30/2022*	6/30/2022*
Inflation assumptions	2.30%	2.30%	2.30%
Investment rate of return, net of pension plan investment expenses, including inflation	7.00%	7.00%	7.00%
Projected salary increases	3.76% - 6.38%	3.19% - 8.50%	4.07% - 6.21%
Cost of living adjustments	The January 1, 2023 COLA: Groups A, C, D, F (retired on or after 7/1/2008) - 5.00%, Group F (retired before 7/1/2008) - 2.50%	The January 1, 2023 COLA: Group A: 5.00%; Group C: 2.50%	The January 1, 2023 COLA: Group A: 2.0%; Groups B, C, & D: 3.00%
Post Retirement Adjustments: assumed annual rate of cost-of-living increases	Groups A, C, & D retiring prior to 07/01/2022: 2.25%; Group F (retiring on or after 7/1/2008): 2.35%; Group F (retiring before 7/1/2008): 1.25%. Group A retiring on or after 07/01/2022: 2.25%, Group C retiring on or after 07/01/2022: 2.10%. Group D retiring on or after 07/01/2022: 2.25% on the first $75,000 of retirement benefits, and 1.10% on amounts above $75,000 of retirement benefits. Group F & G retiring on or after 07/01/2022: 2.15%.	Group A: 2.30%; Group C: 1.20%. Group C retiring on or after 07/01/2022: 1.20%	Group A - 1.10%, Groups B,C & D - 1.20%
Census Data for 2022 Valuation			
Retired members or beneficiaries currently receiving benefits	7,963	10,295	4,149
Inactive members	2,012	2,932	3,997
Active members	8,324	10,387	8,059
Terminated vested members	815	938	1,048
Total membership	19,114	24,552	17,253
*Valuation date is rolled forward to the measurement date using standard actuarial techniques			

Mortality rates are based as follows for the various retirement systems:

Vermont State Retirement System

Pre-retirement Mortality: Groups A & F: PubG-2010 General Employee Amount-Weighted Table with generational projection using scale MP-2021. Groups C & G: PubS-2010 Public Safety Employee Amount-Weighted Table with generational projection using scale MP-2021. Group D: PubG-2010 General Employee Amount-Weighted Above Median Table with generational projection using scale MP-2021.

Post-retirement Retiree Mortality: Groups A & F: PubG-2010 General Healthy Retiree Amount-Weighted Table with credibility adjustments of 101% and 105% for the Male and Female tables, respectively, with generational projection using scale MP-2021. Groups C & G: PubS-2010 Public Safety Retiree Amount-Weighted Table with generational projection using scale MP-2021. Group D: PubG-2010 General Healthy

Retiree Amount-Weighted Above Median Table with generational projection using scale MP-2021.

Post-retirement Beneficiaries Mortality: Groups A,F,C, & G: Pub-2010 Contingent Survivor Amount-Weighted Table with generational projection using scale MP-2021. Group D: Pub-2010 Contingent Survivor Amount-Weighted Above Median Table with generational projection using scale MP-2021.

Disabled Post-retirement Mortality: Groups A,F, & D: PubNS-2010 Non-Safety Disabled Retiree Amount-Weighted Table with generational projection using scale MP-2021. Groups C & G: PubS-2010 Safety Disabled Retiree Amount-Weighted Table with generational projection using Scale MP-2021.

Vermont State Teachers' Retirement System

Pre-retirement Mortality: All Groups: PubT-2010 Teacher Employee Amount-Weighted Table with generational projection using scale MP-2021.

Post-retirement Retiree Mortality: All Groups: PubT-2010 Teacher Healthy Retiree Amount-Weighted Table, with credibility adjustments of 103% and 93% for the Male and Female tables, respectively, with generational projection using scale MP-2021.

Post-retirement Beneficiaries Mortality: All Groups: Pub-2010 Contingent Survivor Amount-Weighted Table with generational projection using scale MP-2021.

Disabled Post-retirement Mortality: All Groups: PubNS-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table with generational projection using scale MP-2021.

Vermont Municipal Employees Retirement System

Pre-retirement Mortality: Groups A &B: 60% PubG-2010 General Employee Amount-Weighted Below-Median and 40% of PubG-2010 General Employee Amount-Weighted, with generational projection using Scale MP-2021. Group C: PubG-2010 General Employee Amount-Weighted, with generational projection using scale MP-2021. Group D: PubS-2010 Public Safety Employee Amount-Weighted Below-Median, with generational projection using scale MP-2021.

Post-retirement Retiree Mortality: Groups A & B: PubG-2010 General Healthy Retiree Amount-Weighted Below Median Table with credibility adjustments of 90% and 87% for the Male and Female tables, respectively, with generational projection using scale MP-2021. Group C: PubG-2010 General Healthy Retiree Amount-Weighted Table, with generational projection using scale MP-2021. Group D: PubS-2010 Public Safety Retiree Amount-Weighted Below-Median Table, with generational projection using scale MP-2021.

Post-retirement Beneficiaries Mortality: All Groups: Pub-2010 Contingent Survivor Amount-Weighted Below-Median Table, with generational projection using scale MP-2021.

Disabled Post-retirement Mortality: Groups A, B, & C: PubNS-2010 Non-Safety Disabled Retiree Amount-Weighted Table with generational projection using Scale MP-2021. Group D: PubS-2010 Safety Disabled Retiree Amount-Weighted Table with generational projection using Scale MP-2021.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the three-year period ended June 30, 2022.

The long-term expected rate of return on pension plan investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variables and the asset classes. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2023, are summarized in the following table:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Global Equity	44.00%	5.35%
Private Equity	10.00%	7.50%
Emerging Market Debt	2.00%	5.00%
Private & Alternate Credit	10.00%	5.50%
Non-Core Real Estate	4.00%	5.50%
Core Fixed Income	19.00%	1.50%
Core Real Estate	4.00%	3.25%
US TIPS	2.00%	1.50%
Infrastructure/Farmland	5.00%	4.25%
Total	100.00%	

Nominal long-term expected rates of return for these asset classes are equal to the sum of the above expected long-term real rates and the expected long-term inflation rate of 2.30%.

Discount Rate (Plan Reporting)

The discount rate used to measure the total pension liability was 7.00% for the VSRS, STRS, and MERS. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current System members. The assumed discount rate has been determined in accordance with the method prescribed by GASB Statement No. 67.

The annual money-weighted rate of return on pension plan investments calculated as the internal rate of return on pension plan investments, net of pension plan investment expenses for the year ended June 30, 2023, was 7.65% for VSRS, 7.64% for STRS, and 7.69% for MERS. Amounts for the prior year were -7.42%, -7.41% and -7.88% respectively. A money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate (Plan Reporting)

The following presents the net pension liability of the various retirement systems, calculated using the discount rates determined above, as well as what the systems' net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate (amounts are in thousands):

(Table on next page.)

	VSRS		STRS		MERS
One-percent decrease					
Discount rate		6.00%		6.00%	6.00%
Net pension liability	$	1,611,168	$ 2,408,849	$	482,092
Net pension liability, as reported					
Discount rate		7.00%		7.00%	7.00%
Net pension liability	$	1,156,754	$ 1,870,059	$	320,294
One-percent increase					
Discount rate		8.00%		8.00%	8.00%
Net pension liability	$	781,298	$ 1,420,759	$	187,302

The defined benefit plans financial statements are on the following two pages:

(Notes continue on next page.)

Statement of Fiduciary Net Position
Defined Benefit Plans
June 30, 2023

	Vermont State Retirement Fund	State Teachers' Retirement Fund	Vermont Municipal Employees' Retirement Fund
Assets			
Cash and short term investments	$ 36,074,483	$ 42,410,641	$ 15,462,004
Receivables			
Contributions - current	8,376,685	8,906,198	7,268,486
Contributions - non-current	-	-	5,362,276
Investments sold	28,685,223	31,655,932	11,097,953
Interest and dividends	603,635	660,696	535,135
Due from other funds	82,906	67,319	1,049,935
Other	5,593,767	6,677,024	869,518
Investments			
Fixed income	110,493,827	122,276,591	42,756,326
Equities	69,417,330	64,785,661	26,359,227
Mutual and commingled funds	1,578,834,310	1,645,190,032	588,552,646
Private partnerships	647,913,594	673,337,940	236,391,293
Prepaid expenses	70,506	80,298	45,045
Capital assets, net of depreciation	274,204	324,177	119,924
Total assets	2,486,420,470	2,596,372,509	935,869,768
Liabilities			
Accounts payable	1,581,667	1,467,751	138,902
Investments purchased	60,135,629	66,417,521	23,265,579
Due to other funds	1,472,769	777,839	352,256
Total liabilities	63,190,065	68,663,111	23,756,737
Net position restricted for employees' pension benefits	$ 2,423,230,405	$ 2,527,709,398	$ 912,113,031

Statement of Changes in Fiduciary Net Position
Defined Benefit Plans
For the Fiscal Year Ended June 30, 2023

	Vermont State Retirement Fund	State Teachers' Retirement Fund	Vermont Municipal Employees' Retirement Fund
Additions			
Contributions			
Employer - pension benefit	$ 116,387,502	$ -	$ 28,456,017
Non-employer - pension benefit	-	188,096,219	-
Plan member	48,580,695	51,997,621	29,695,944
Transfers from other pension trust funds	1,389,818	554,696	90,901
Other revenues	-	13,829,042	-
Total contributions	166,358,015	254,477,578	58,242,862
Investment Income			
Net appreciation in fair value of investments	151,421,250	160,568,333	56,401,353
Dividends	15,884,224	16,688,762	5,862,581
Interest income	4,226,078	4,515,443	2,066,059
Other income	3,724	-	-
Total investment income	171,535,276	181,772,538	64,329,993
Less Investment Expenses			
Investment managers and consultants	3,025,871	3,280,586	1,234,811
Total investment expenses	3,025,871	3,280,586	1,234,811
Net investment income	168,509,405	178,491,952	63,095,182
Total additions	334,867,420	432,969,530	121,338,044
Deductions			
Retirement benefits	180,735,163	238,260,128	49,180,570
Refunds of contributions	3,911,594	2,750,714	2,541,299
Death claims	812,777	196,950	597,113
Transfers to other pension trust funds	244,593	419,273	1,582,866
Depreciation	247,627	291,835	109,743
Administration expenses	2,330,385	2,754,177	1,192,893
Total deductions	188,282,139	244,673,077	55,204,484
Change in net position	146,585,281	188,296,453	66,133,560
Net position restricted for employees' pension benefits			
July 1, 2022	2,276,645,124	2,339,412,945	845,979,471
June 30, 2023	$ 2,423,230,405	$ 2,527,709,398	$ 912,113,031

B. Defined Contribution Retirement Plans

Retirement Plan Descriptions

In accordance with Title 3 of the Vermont Statutes Annotated, Chapter 16A, the State established an optional single employer defined contribution pension plan for exempt State employees effective January 1, 1999. The Vermont State Defined Contribution Plan is reported in the Pension Trust Funds. Exempt employees hired after January 1, 1999, have a one-time opportunity to elect either the defined benefit or defined contribution plan. Employees are required to contribute at the rate of 2.85%. The State is required to contribute to each employee’s account at the rate of 7% of the employee’s compensation for each payroll period. An employee becomes vested in the plan after completion of 23 months of creditable service as a State employee. During the fiscal year ended June 30, 2023, member contributions totaled $777,419 with State employer contributions at $2,007,303. As of June 30, 2023, the Vermont State Defined Contribution Plan’s net position totaled $79,151,982 and there were 542 participants.

The Vermont Municipal Employees’ Defined Contribution Plan (24 V.S.A. 5070), a multiple employer defined contribution pension plan, was implemented by the Vermont Municipal Employees’ Retirement System’s Board of Trustees on July 1, 2000, and is reported as a pension trust fund. The defined contribution plan was offered by municipal employers to one or more groups of their eligible employees. Once offered by the employer, each eligible employee was required to make an election to participate. Employees participating in one of the municipal defined benefit plans who elected to participate in the defined contribution plan had the July 1, 2001, actuarial value of their accrued defined benefit plan transferred to the defined contribution plan. Employers that did not offer the defined contribution plan to their employees as of December 31, 1999, have an opportunity to do so no later than December 31 of any subsequent year with the transfer effective July 1 of the following year.

Participating municipal employees are required to contribute at the rate of 5% of earnable compensation. Employers are required to contribute at the rate of 5.125%. Employees become vested in the plan after 12 months of service. During the fiscal year ended June 30, 2023, member contributions totaled $490,466 and employer contributions at $500,808. As of June 30, 2023, the Municipal Employees’ Defined Contribution Plan’s net position totaled $27,161,259 and there were 438 participants.

The Single Deposit Investment Account (SDIA), a non-contributory multiple employer defined contribution pension plan reported as a Pension Trust Fund, was established according to the provisions of Public Act 41 of the 1981 Session. The Act authorized a new Group B non-contributory plan within the State Teachers Retirement System (STRS) and a new Group E non-contributory plan within the Vermont State Retirement System (VSRS).

The STRS's members in the Group A contributory plan could have elected to either remain in the Group A plan or transfer to the new Group B non-contributory plan. Group A members electing to transfer to the Group B plan had their choice between the following three options:

- Have both their accumulated employee contributions and accumulated interest returned to them; or
- Have their accumulated contributions returned to them and only their accumulated interest invested by the retirement board in the SDIA; or
- Have both their accumulated employee contributions and accumulated interest invested by the retirement board in the SDIA.

The VSRS's members in the Group A contributory plan could have elected to either remain in the Group A plan or transfer to the new Group E non-contributory plan. Group A members electing to transfer to the Group E plan had their choice between the following three options:

- Have both their accumulated employee contributions and accumulated interest returned to them; or
- Have their accumulated contributions returned to them and only their accumulated interest invested by the retirement board in the SDIA; or
- Have both their accumulated employee contributions and accumulated interest invested by the retirement board in the SDIA.

No additional contributions could be made to the SDIA beyond those described above. The SDIA funds are not available to the members until they retire or terminate their employment. At June 30, 2023 there were 775 members, with a net position of $25,583,646 in the Single Deposit Investment Account.

The defined contribution plans' financial statements are as follows:

Statement of Fiduciary Net Position
Defined Contribution Plans
June 30, 2023

	Vermont State Defined Contribution Fund	Single Deposit Investment Account	Vermont Municipal Employees' Defined Contribution Fund
Assets			
Cash and short term investments	$ 129,623	$ -	$ 54,244
Receivables			
Contributions	94,246	-	15,553
Investments			
Mutual and commingled funds	79,008,100	25,583,646	27,402,503
Prepaid expenses	35,440	-	221
Total assets	79,267,409	25,583,646	27,472,521
Liabilities			
Accounts payable	38,765	-	623
Due to other funds	76,662	-	310,639
Total liabilities	115,427	-	311,262
Net position restricted for employees' pension benefits	$ 79,151,982	$ 25,583,646	$ 27,161,259

Statement of Changes in Fiduciary Net Position
Defined Contribution Plans
For the Fiscal Year Ended June 30, 2023

	Vermont State Defined Contribution Fund	Single Deposit Investment Account	Vermont Municipal Employees' Defined Contribution Fund
Additions			
Contributions			
Employer - pension benefit	$ 2,007,303	$ -	$ 500,808
Plan member	777,419	-	490,466
Transfers from other pension trust funds	153,018	-	58,299
Transfers from non-state systems	3,646	-	212,158
Total contributions	2,941,386	-	1,261,731
Investment Income			
Net appreciation in fair value of investments	6,785,596	-	2,452,089
Dividends	1,560,083	665,321	545,512
Interest income	3,411	-	2,369
Other income	3,011	-	609
Total investment income	8,352,101	665,321	3,000,579
Less Investment Expenses			
Investment managers and consultants	-	38,401	-
Total investment expenses	-	38,401	-
Net investment income	8,352,101	626,920	3,000,579
Total additions	11,293,487	626,920	4,262,310
Deductions			
Retirement benefits	923,994	2,599,112	324,671
Refund of contributions	-	-	-
Transfers to other pension trust funds	-	-	-
Transfers to non-state systems	4,191,541	892,443	2,495,654
Operating expenses	127,687	-	104,250
Total deductions	5,243,222	3,491,555	2,924,575
Change in net position	6,050,265	(2,864,635)	1,337,735
Net position restricted for employees' pension benefits			
July 1, 2022	73,101,717	28,448,281	25,823,524
June 30, 2023	$ 79,151,982	$ 25,583,646	$ 27,161,259

C. Other Postemployment Benefits (OPEB)

In addition to providing pension benefits, the State offers postemployment medical insurance, dental insurance, and life insurance benefits to retirees of the VSRS and STRS. Component units and authorities of the State will perform their own valuation as the State does not assume the risk or financial burden for their health care costs.

The State reports under GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* GASB Statement No. 75 requires employer and nonemployer contributing entities to report their net OPEB liability on their financial statements.

Defined Benefit OPEB Plans
In order to provide the necessary disclosures that are required under the various GASB Statements, the disclosures below are separated into three sections. The first section (Disclosures about the Defined Benefit OPEB Plans) offers disclosures about the plans themselves - descriptions of the plans and who is covered; a discussion of benefits provided by each of the plans.

The second section (Financial Reporting of Net OPEB Liability and OPEB Expense by the Employer as required by GASB Statement No. 75) provides funding information regarding the OPEB plans that are required by GASB Statement No. 75 - changes in net OPEB liability, balances of deferred OPEB outflows of resources and deferred OPEB inflows of resources (including prospective schedules of amortization of the deferred outflows and inflows), and the calculation of OPEB expense for the year.

The third section (Net OPEB Liability and Disclosures required by GASB Statement No. 74) provides the information that is required by GASB Statement No. 74 - the calculation of the net OPEB liability (NOL); the actuarial assumptions and census data that were used in calculating that NOL; the discount rate that was used in the calculations; and the sensitivity of the NOL to changes in the discount rate.

1.Disclosures about the Defined OPEB Plans

This first section provides the disclosures about the defined benefit retirement plans required by GASB Statement No. 74, including the plan descriptions, contribution information, benefits, and membership at June 30, 2023.

Plan Descriptions and Contribution Information

<u>Vermont State Postemployment Benefits Trust Fund</u>
The Vermont State Postemployment Benefits Trust Fund (VSPB) (3 V.S.A. 479a), a single employer defined benefit OPEB plan, was established in fiscal year 2007 as an irrevocable trust fund for the purpose of accumulating and providing reserves to support retiree postemployment benefits other than pension benefits for members of the Vermont State Retirement System (VSRS).

The VSPB is managed by the VSRS Retirement Board (see VSRS in Note IV.G.5.A.1 above). Title 3 V.S.A. Chapters 16 and 21 provides the authority to establish and amend the benefit provisions of the plan, and to establish and amend contribution requirements. Contributions are actuarially determined annually as necessary to achieve and preserve the financial integrity of the fund and the VSRS Retirement Board submits this recommendation to the Governor and both houses of the Legislature. State contributions for the fiscal year ended June 30, 2023, were $64,698,572, which is 10.69% of covered payroll. Employees are not required to contribute to the OPEB plan.

Benefits are provided through the State’s self-insured Medical Insurance Fund (an internal service fund). VSPB plan members have access to the same benefit plans as active employees.

State employees hired prior to July 1, 2008 and retiring directly from active State service for any reason (disability, early, or normal) may elect to carry whatever medical coverage is in effect at that time into retirement for themselves and their dependents. During their lifetime the retiree will pay 20% of the cost of the premium, except in the case where retirees select joint or survivorship options. If the retiree chooses the joint or survivor pension options and predeceases their spouse, the medical benefits along with the pension benefit will continue for the spouse. However, generally, the surviving spouse must pay 100% of the cost of the premium.

In addition, once a retiree or surviving spouse becomes eligible for Medicare coverage (at age 65); it is mandatory that they enroll in both Medicare Part A and Part B as soon as possible. Medicare thus becomes the primary insurer with the State plan becoming the secondary insurer. The insured's State insurance premium costs will then decrease in recognition of this change.

Vermont State Retirement System's defined benefit plan Group C members who terminate with 20 or more years of service, but are not yet 50 years old, may elect to receive medical coverage at the time they begin receiving their retirement benefits. For all other Vermont State Retirement System's active employees, if the employee does not retire directly from State service (inactive members), they are not eligible to participate in the State's medical insurance plan. If the insurance is terminated at any time after retirement benefits have been received, coverage will not be able to be obtained again at a later date.

Based on legislation enacted during fiscal year 2008, Vermont State Retirement System's defined benefit plan Group F employees hired after June 30, 2008, will pay, upon retirement, a tiered retiree health care premium amount based on completed years of service. The tiered rate paid will range from 100% of the premium cost for retirees with less than 10 years of service to 20% of the premium cost for retirees with 20 or more years of service. Additionally, as part of the enacted legislation, Group F employees hired after June 30, 2008, will also have the ability to elect health care insurance at the 20% premium cost level when they begin to receive retirement benefits in a manner comparable to regular retirements even if the employee terminated prior to their early retirement date, provided the member had 20 years of service upon termination of employment.

Retired Teachers' Health and Medical Benefit Fund

The Retired Teachers' Health and Medical Benefit Fund (RTHMB) (16 V.S.A. 1944b), a cost-sharing multiple employer defined benefit OPEB plan with a special funding situation, was created by the legislature on July 1, 2014, to explicitly appropriate State contributions to the fund for health care expenses separate from the State's contribution to the State Teachers' Retirement System (STRS) pension trust fund. Prior to fiscal year 2015, the health care expenses for the STRS's retirees were paid through a sub-fund of the defined benefit pension trust fund and no State contribution was explicitly budgeted or funded.

The RTHMB is managed by the STRS Retirement Board (see STRS in Note IV.G.5.A.1 above). Title 16 V.S.A. Chapter 55 provides the authority to establish and amend the benefit provisions of the plan, and to establish and amend contribution requirements. Contributions are actuarially determined annually as necessary to achieve and preserve the financial integrity of the fund and the STRS Retirement Board submits this recommendation to the Governor and both houses of the Legislature. State contributions for the fiscal year ended June 30, 2023, were $57,168,208, which is 8.15% of covered payroll. Employees are not required to contribute to the OPEB plan.

Retirees of the STRS participate in multi-employer health coverage plans operated by the Vermont Education Health Initiative (VEHI) which is managed jointly by the Vermont School Boards Insurance Trust and the Vermont National Education Association. VEHI partners with Blue Cross Blue Shield to provide health insurance to retired and active teachers. VEHI issues its own audited financial statements. These and the plan information are available from the VEHI Offices, 2 Prospect Street, Suite 5, Montpelier, VT 05602.

STRS's members have access to medical benefit plans in retirement as offered by VEHI. The plans are identical to those offered to active teachers in public school systems in Vermont. Members may pick up medical coverage under one of the plans offered for themselves and all eligible dependents at the time of retirement, or anytime thereafter during one of the semi-annual open enrollment periods. If the member has a minimum of 10 years of creditable service at the time of retirement, the system picks up 80% of the retiree's premium only, based on the cost of the "standard plan" as defined by statute. The retiree must pick up the full cost of the premium for all covered dependents. Once a retiree becomes eligible for Medicare coverage (at age 65), it is mandatory that they enroll in both Medicare Part A and Part B. Medicare becomes the primary insurer and the Teacher's medical plans become the secondary insurer. Two of the plans offered become “carve-out” plans to coordinate with Medicare, and one of the plans is replaced with a true Medicare supplemental plan. The premiums for all plans are reduced in accordance with the decrease in liability once Medicare becomes the primary insurer.

During fiscal year 2023 there were 139 participating employers in the STRS - RTHMB plan.

Membership in the plans consisted of the following at June 30, 2023:

	VSRS - VSPB	STRS - RTHMB
Retired members or beneficiaries currently receiving benefits	5,702	7,368
Retired members or beneficiaries not receiving benefits	-	3,063
Vested terminated members entitled to but not yet receiving benefits	-	4,165
Active members	8,925	10,618
Total	14,627	25,214

2. Employer Reporting of OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB Plans as required by GASB Statement No. 75

This section includes the information that is required to be reported by employers per GASB Statement No. 75. It reports information regarding the calculation of the State’s net OPEB liability, including changes during the measurement period in both total OPEB liability and plan net position; balances in the various components of deferred OPEB outflows of resources and deferred OPEB inflows of resources and the amounts to be recognized in OPEB expense in future periods; and the calculation of OPEB expense. In addition to presenting the NOL, this section also includes information on the actuarial assumptions and census data used in the valuation, the discount rate that was used to calculate the NOL, and disclosures as to the sensitivity of the NOL to changes in the discount rate.

The State is responsible for 98.5041% of the VSPB net OPEB liability. The Vermont Veterans’ Home (a discrete component unit) is responsible for 1.4959% of the VSPB net OPEB liability. The State is responsible for 100% of the RTHMB net OPEB liability as a non-employer contributing entity. The information presented in this section is for those two plans.

Reporting Date, Measurement Date, and Valuation Date (Employer Reporting)

Net OPEB liabilities, deferred OPEB outflows of resources, deferred OPEB inflows of resources, and OPEB expense are all presented as of the State’s reporting date (June 30, 2023) and for the State’s reporting period (the year ended June 30, 2023). These amounts are measured as of the measurement date and for the measurement period (the period between the prior and current measurement dates). GASB Statement No. 75 requires that the current measurement date be no earlier than the end of the employer’s prior fiscal year. For the reporting date of June 30, 2023, the State has chosen to use the end of the prior fiscal year (June 30, 2022) as the measurement date, and the year ended June 30, 2022, as the measurement period.

The total OPEB liability is determined by an actuarial valuation performed as of the measurement date, or by the use of update procedures to roll forward to the measurement date amounts from an actuarial valuation as of a date no more than 30 months and 1 day earlier than the employer’s most recent fiscal year-end. The State has elected to apply update procedures to roll forward amounts from an actuarial valuation performed as of June 30, 2021, to the measurement date of June 30, 2022. There were no material changes in assumptions or benefit terms that occurred between the actuarial valuation date and the measurement date.

Net OPEB Liabilities (Employer Reporting)

The net OPEB liability (NOL) is measured as the portion of the actuarial present value of projected benefit payments that is attributable to past periods of employee service, net of the OPEB plan's fiduciary net position. The changes in the components for the measurement period are as follows (amounts are in thousands):

	VSRS - VSPB Increase (Decrease)			STRS - RTHMB Increase (Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (a-b)	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (a-b)
Balances - June 30, 2021	$ 1,593,341	$ 120,268	$ 1,473,073	$ 1,290,221	$ 14,634	$ 1,275,587
Changes for the year:						
Service cost	67,476	-	67,476	53,507	-	53,507
Interest	39,605	-	39,605	29,254	-	29,254
Benefit changes	(11,431)	-	(11,431)	-	-	-
Difference between expected and actual experience	241	-	241	18,750	-	18,750
Changes of assumptions	(746,859)	-	(746,859)	(605,232)	-	(605,232)
Contributions - non-employer	-	-	-	-	54,203	(54,203)
Contributions - employer	-	35,170	(35,170)	-	-	-
Net investment income	-	(15,580)	15,580	-	(186)	186
Benefit payments, including refunds of contributions	(35,056)	(35,056)	-	(28,141)	(28,141)	-
Administrative expenses	-	(2)	2	-	(2)	2
Net changes	(686,024)	(15,468)	(670,556)	(531,862)	25,874	(557,736)
Balances - June 30, 2022	$ 907,317	$ 104,800	$ 802,517	$ 758,359	$ 40,508	$ 717,851
Fiduciary net position as a percentage of total OPEB liability			11.55%			5.34%

Proportionate Share of Net OPEB Liability

	VSRS - VSPB			
		Proportionate Share		
	Amount	2022	2021	Change
Governmental activities	$ 785,146	97.8354%	99.0449%	-1.2096%
Business type activities	5,366	0.6687%	0.2828%	0.3859%
Discrete component unit	12,005	1.4959%	0.6722%	0.8237%
Total net OPEB liability	802,517	100.0000%	100.0000%	

	STRS - RTHMB			
		Proportionate Share		
	Amount	2022	2021	Change
Governmental activities	717,851	100.0000%	100.0000%	0.0000%
Total governmental activities net OPEB liability	$ 1,502,997			

Additional information regarding the changes in the net OPEB liability for the year ended June 30, 2023, can be found in the Required Supplementary information immediately following these notes to the financial statements.

Deferred OPEB Outflows of Resources and Deferred OPEB Inflows of Resources (Employer Reporting)

Most changes in the net OPEB liability are included in OPEB expense during the year of change. Changes resulting from current-period service cost, interest on the total OPEB liability, and changes in benefit terms are required to be included in OPEB expense immediately. Similarly, projected earnings on the OPEB plan's investments are also required to be included in the determination of OPEB expense immediately.

The effects of certain other changes in the net OPEB liability are required to be included in OPEB expense over the current and future periods, depending on the nature of the change. The effect on the net OPEB liability of differences between the projected earnings on OPEB plan investments and actual experience with regard to those earnings is required to be included in OPEB expense in a systematic and rational manner over a closed period of five years, beginning with the current period. Changes in the net OPEB liability not included in OPEB expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to OPEBs. This treatment arises from the concept that these changes result from the use of estimates, where probabilities of events range from 0 to 100 percent, while actual events either occur or do not occur. Therefore, differences between some estimates and actual experience will occur with every measurement that incorporates future events.

The effects on the total OPEB liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in OPEB expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the OPEB plan (active employees and inactive employees), beginning with the current period. Changes in the net OPEB liability not included in OPEB expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to OPEBs. This treatment arises from the concept that OPEBs arise from an exchange between employer and employee of salaries and benefits for employee service each period and that these transactions and related OPEB measurements are viewed in the context of ongoing, career-long employment relationships.

Employer contributions subsequent to the measurement date of the net OPEB liability are required to be reported as deferred outflows of resources, and will be recognized as a reduction of the net OPEB liability at June 30, 2023.

As of June 30, 2023, the State reported the following deferred OPEB outflows of resources and deferred OPEB inflows of resources (amounts are in thousands):

	VSRS - VSPB		VSRS - VSPB	
	Primary Government		Discrete Component Units	
Source	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 21,083	$ -	$ 320	$ -
Changes of assumptions	106,526	789,826	1,618	11,995
Net differences between projected and actual earnings on plan investments	18,336	-	278	-
Change in proportion and the effect of certain employer contributions on the employer's net OPEB liability	32,147	32,409	17,694	17,432
Employer contributions made subsequent to the measurement date	63,848	-	851	-
Total	$ 241,940	$ 822,235	$ 20,761	$ 29,427

Source	STRS - RTHMB Primary Government Deferred Outflows of Resources	STRS - RTHMB Primary Government Deferred Inflows of Resources
Differences between expected and actual experience	$ 48,805	$ -
Changes of assumptions	59,939	509,467
Net differences between projected and actual earnings on plan investments	1,962	-
Employer contributions made subsequent to the measurement date	57,168	-
Total	$ 167,874	$ 509,467

Source	Primary Government Total Deferred Outflows of Resources	Primary Government Total Deferred Inflows of Resources
Differences between expected and actual experience	$ 69,888	$ -
Changes of assumptions	166,465	1,299,293
Net differences between projected and actual earnings on plan investments	20,298	-
Change in proportion and the effect of certain employer contributions on the employer's net OPEB liability	32,147	32,409
Employer contributions made subsequent to the measurement date	121,016	-
Total	$ 409,814	$ 1,331,702

The amounts reported as deferred OPEB outflows of resources resulting from employer contributions made subsequent to the measurement date (VSRS-VSPB - $63.848 million Primary Government and $0.851 million Component Units; and STRS - RTHMB - $57.168 million Primary Government), will be recognized as a reduction of the net OPEB liability at June 30, 2024. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs, will be recognized in OPEB expense as follows (amounts are in thousands):

(Table on next page.)

Year Ended June 30	STRS - RTHMB Primary Government	VSRS - VSPB Primary Government	TOTAL Primary Government	VSRS - VSPB Discrete Component Units
2024	$ (33,922)	$ (134,431)	$ (168,353)	$ (2,502)
2025	(75,636)	(125,311)	(200,947)	(2,369)
2026	(84,545)	(95,593)	(180,138)	(1,983)
2027	(84,698)	(71,000)	(155,698)	(937)
2028	(90,265)	(85,234)	(175,499)	(1,049)
Thereafter	(29,695)	(132,574)	(162,269)	(677)
Total	$ (398,761)	$ (644,143)	$ (1,042,904)	$ (9,517)

OPEB Expense (Employer Reporting)

As discussed above, most changes in the net OPEB liability are included in OPEB expense in the year of change, including changes resulting from current-period service cost, interest on the total OPEB liability, changes in benefit terms, and projected earnings on the OPEB plan's investments. Other changes in net OPEB liability are recorded as deferred OPEB outflows of resources and deferred OPEB inflows of resources and included in OPEB expense on a systematic and rational manner over current and future periods. OPEB expense for the year ended June 30, 2023, is as follows (amounts are in thousands):

	Primary Government		Primary Government	Component Units
	STRS - RTHMB	VSRS - VSPB	TOTAL	VSRS - VSPB
Service cost	$ 53,507	$ 66,466	$ 119,973	$ 1,009
Interest on total OPEB liability	29,254	39,013	68,267	592
Changes in benefit terms	-	(11,260)	(11,260)	(171)
Plan administrative costs	2	2	4	-
Projected earnings on plan investments	(1,936)	(8,297)	(10,233)	(126)
Recognition (amortization) of deferred OPEB outflows of resources:				
Difference between expected and actual experience	2,967	32	2,999	-
Difference between projected and actual investment earnings	424	4,729	5,153	72
Recognition of deferred outflows from prior periods	80,985	28,221	109,206	429
Changes in Proportions	-	6,719	6,719	3,311
Recognition (amortization) of deferred OPEB inflows of resources:				
Change in assumptions	(95,765)	(100,229)	(195,994)	(1,522)
Recognition of deferred inflows from prior periods	(4,643)	(67,488)	(72,131)	(1,025)
Changes in Proportions	-	(6,266)	(6,266)	(3,764)
Total OPEB Expense	$ 64,795	$ (48,358)	$ 16,437	$ (1,195)

Actuarial Methods and Assumptions (Employer Reporting)

Actuarial Assumptions (Employer Reporting)

Total OPEB liability at the June 30, 2022, measurement date was determined using the June 30, 2021, actuarial valuation and applying roll forward procedures. The actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified were as follows:

	VSRS - VSPB	STRS - RTHMB
Inflation	2.50%	2.50%
Investment rate of return	7.00%, net of OPEB plan investment expense, including inflation	7.00%, net of OPEB plan investment expense, including inflation
Discount rate	7.00%	7.00%
Salary increase rate	Varies by age from age 20 - 5.55%, to age 60 - 3.40%.	Varies by age from age 20 - 10.50%, to age 70 - 3.30%.
Health care cost trend rate		
Non-Medicare	7.12% graded to 4.50% over 12 years	7.12% graded to 4.50% over 12 years
Medicare	6.50% graded to 4.50% over 12 years	6.50% graded to 4.50% over 12 years
Medicare STRS 65	N/A	4.50%
Retiree contributions	Equal to health trend	Equal to health trend
Plan membership - 6/30/2021		
Retired members or beneficiaries currently receiving benefits	5,484	7,280
Retired members or beneficiaries not receiving benefits	-	2,656
Vested terminated members entitled to but not yet receiving benefits	-	2,001
Active members	8,448	9,955
Total	13,932	21,892

The actuarial assumptions used in the June 30, 2021; valuation were based on the results of the following actuarial experience studies:

Vermont State Retirement System
Experience Study: July 1, 2014 – June 30, 2019, completed in October 2020 by Segal

Vermont State Teachers' Retirement System
Experience Study: July 1, 2014 – June 30, 2019, completed in October 2020 by Segal

Mortality rates are based on the following:

Vermont State Retirement System

Pre-retirement Mortality: Groups A, F, & DC: 60% of PubG-2010 General Employee Headcount-Weighted Above Median, 40% of PubG-2010 General Employee Headcount-Weighted with generational projection using scale MP-2019. Group C: PubS-2010 Public Safety Employee Headcount-Weighted with generational projection using scale MP-2019. Group D: 70% of PubG-2010 General Employee Headcount-Weighted Above Median, 30% of PubG-2010 General Employee with generational projection using scale MP-2019.

Post-retirement Retiree Mortality: Groups A, F & DC: 109% of PubG-2010 General Healthy Retiree Headcount-Weighted with generational projection using scale MP-2019. Group C: 40% of PubS-2010 Public Safety Retiree Headcount-Weighted Above Median, 60% of PubS-2010 Public Safety Retiree Headcount-Weighted with generational projection using scale MP-2019. Group D: PubG-2010 General Healthy Retiree Headcount-Weighted Above Median with generational projection using scale MP-2019.

Post-retirement Beneficiaries Mortality: Groups A, F, & DC: Pub-2010 Contingent Survivor Headcount-Weighted with generational projection using MP-2019. Group C: 40% of Pub-2010 Contingent Survivor Headcount-Weighted Above Median, 60% of Pub-2010 Contingent Survivor Headcount-Weighted with generational projection using MP-2019. Group D: Pub-2010 Contingent Survivor Headcount-Weighted Above Median with generational projection using MP-2019.

Disabled Mortality: All Groups were based on the PubNS-2010 Non-Safety Disabled Retiree Headcount-Weighted Mortality Table with generational projection using scale MP-2019.

Vermont State Teachers' Retirement System

Pre-retirement Mortality: All Groups were based on the PubT-2010 Teacher Employee Headcount-Weighted Table with generational projection using scale MP-2019.

Post-retirement Retiree Mortality: All Groups based on the PubT-2010 Teacher Healthy Retiree Headcount-Weighted Table with generational projection using scale MP-2019.

Post-retirement Beneficiaries Mortality: All Groups based on 109% of the Pub-2010 Contingent Survivor Headcount-Weighted Table with generational projection using scale MP-2019.

Disabled Mortality: All Groups were based on the PubNS-2010 Non-Safety Disabled Retiree Headcount-Weighted Mortality Table with generational projection using scale MP-2019.

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which best estimate ranges of expected future rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding the expected inflation. The following table contains the target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate or return assumption:

(Table on next page.)

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Passive Global Equity	24.00%	4.30%
Active Global Equity	5.00%	4.30%
US Equity – Large Cap	4.00%	3.25%
US Equity – Small/Mid Cap	3.00%	3.75%
Non-US Developed Market Equities	7.00%	5.00%
Private Equity	10.00%	6.50%
Emerging Market Debt	4.00%	3.50%
Private & Alternate Credit	10.00%	4.75%
Non-Core Real Estate	4.00%	6.00%
Core Fixed Income	19.00%	0.00%
Core Real Estate	3.00%	3.50%
US TIPS	3.00%	-0.50%
Infrastructure/Farmland	4.00%	4.25%
Total	100.00%	

Discount Rate (Employer Reporting)

The discount rate used to measure the total OPEB liability was 7.00% for the VSPB's OPEB and RTHMB's OPEB plans. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current System members. The assumed discount rate has been determined in accordance with the method prescribed by GASB Statement No. 74. The discount rate used in the prior year was 2.41% for VSPB OPEB plan, and 2.20% for the RTHMB OPEB plan.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate (Employer Reporting)

The following presents the NOL of the plans, as well as what the plans' NOL would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (amounts in thousands):

	VSRS - VSPB	STRS - RTHMB
One-percent decrease		
Discount rate	6.00%	6.00%
Net OPEB liability	$ 913,625	$ 818,278
Net OPEB liability, as reported		
Discount rate	7.00%	7.00%
Net OPEB liability	$ 802,517	$ 717,851
One-percent increase		
Discount rate	8.00%	8.00%
Net OPEB liability	$ 709,898	$ 634,326

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate (Employer Reporting)

The following presents the NOL of the plans, as well as what the plans' NOL would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates (amounts in thousands):

	VSRS - VSPB	STRS - RTHMB
One-percent decrease		
Healthcare cost trend rate		
Non-medicare	6.12% graded to 3.50%	6.12% graded to 3.50%
Medicare	5.50% graded to 3.50%	5.50% graded to 3.50%
Medicare VSTRS 65	N/A	3.50%
Net OPEB liability	$ 702,767	$ 624,266
Net OPEB liability, as reported		
Healthcare cost trend rate		
Non-medicare	7.12% graded to 4.50%	7.12% graded to 4.50%
Medicare	6.50% graded to 4.50%	6.50% graded to 4.50%
Medicare VSTRS 65	N/A	4.50%
Net OPEB liability	$ 802,517	$ 717,851
One-percent increase		
Healthcare cost trend rate		
Non-medicare	8.12% graded to 5.50%	8.12% graded to 5.50%
Medicare	7.50% graded to 5.50%	7.50% graded to 5.50%
Medicare VSTRS 65	N/A	5.50%
Net OPEB liability	$ 925,080	$ 833,974

Payable to the OPEB Plans (Employer Reporting)

At June 30, 2023, the State reported a payable of $130,541 for the outstanding amount of contributions to the VSPB plan required for the year ended June 30, 2023.

3. Net OPEB Liability and Disclosures required by GASB Statement No. 74 (Plan Reporting)

This section includes information that is required to be presented by GASB Statement No. 74. The plans elected to base the valuations on plan data as of June 30, 2022, and used update procedures to roll forward the total OPEB liability to the OPEB plans' fiscal year end. In addition to presenting the NOL, this section also includes information on the actuarial assumptions and census data used in the valuation, the discount rate that was used to calculate the NOL, and disclosures as to the sensitivity of the NOL to changes in the discount rate.

GASB Statement No, 74 requires that OPEB plans disclose the NOL and other related disclosures.

Net OPEB Liabilities (Plan Reporting)

The components of the net OPEB liabilities at June 30, 2023, were as follows (amounts in thousands):

(Table on next page.)

	VSRS - VSPB	STRS - RTHMB
Total OPEB liability	$ 1,029,530	$ 851,763
Fiduciary net position	(137,759)	(72,228)
Net OPEB liability	$ 891,771	$ 779,535
Fiduciary net position as a percentage of total OPEB liability	13.38%	8.48%

Additional information regarding changes in net OPEB liability for the year ended June 30, 2023, can be found in the Required Supplementary Information section of these financial statements.

Actuarial Assumptions (Plan Reporting)

The total OPEB liability at June 30, 2023 was determined using the June 30, 2022 actuarial valuation and applying roll forward procedures. The actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified were as follows:

	VSRS - VSPB	STRS - RTHMB
Inflation	2.30%	2.30%
Investment rate of return	7.00%, net of OPEB plan investment expense, including inflation	7.00%, net of OPEB plan investment expense, including inflation
Discount rate	7.00%	7.00%
Salary increase rate	Varies by age from age 20 - 6.38%, to age 60 - 3.76%.	Varies by age from age 20 - 8.50%, to age 65 - 3.19%.
Health care cost trend rate		
Non-Medicare	7.39% graded to 4.50% over 12 years	7.39% graded to 4.50% over 12 years
Medicare	6.90% graded to 4.50% over 12 years	6.90% graded to 4.50% over 12 years
Medicare STRS 65	N/A	4.50%
Retiree contributions	Equal to health trend	Equal to health trend
Plan membership - 6/30/2022		
Retired members or beneficiaries currently receiving benefits	5,475	7,313
Retired members or beneficiaries not receiving benefits	-	2,813
Vested terminated members entitled to but not yet receiving benefits	-	1,816
Active members	8,590	10,387
Total	14,065	22,329

The actuarial assumptions used in the June 30, 2022; valuation were based on the results of the following actuarial experience studies:

Vermont State Retirement System
Experience Study: July 1, 2019 – June 30, 2022, completed in September 2023 by Segal

Vermont State Teachers' Retirement System
Experience Study: July 1, 2019 – June 30, 2022, completed in September 2023 by Segal

Mortality rates are based on the following:

Vermont State Retirement System

Pre-retirement Mortality: Groups A, F & DC: PubG-2010 General Employee Headcount-Weighted with generational projection using scale MP-2021. Group C: PubS-2010 Public Safety Employee Headcount-Weighted with generational projection using scale MP 2021. Group D: PubG-2010 General Employee Headcount-Weighted Above Median, with generational projection using scale MP-2021.

Post-retirement Retiree Mortality: Groups A, F & DC: PubG-2010 General Healthy Retiree Headcount-Weighted with credibility adjustments of 101% and 105% for the Male and Female tables, respectively, with generational projection using scale MP-2021. Group C: PubS-2010 Public Safety Retiree Headcount-Weighted with generational projection using scale MP-2021. Group D: PubG-2010 General Healthy Retiree Headcount-Weighted Above Median with generational projection using scale MP 2021.

Post-retirement Beneficiaries Mortality: Groups A, F, DC, & C Pub-2010 Contingent Survivor Headcount-Weighted with generational projection using MP 2021. Group D: Pub-2010 Contingent Survivor Headcount-Weighted Above Median with generational projection using MP 2021.

Disabled Mortality: Groups A, F & DC: PubNS-2010 Non-Safety Disabled Retiree Headcount-Weighted Mortality Table with generational projection using scale MP-2021. Group C: PubS-2010 Safety Disabled Retiree Headcount-Weighted Mortality Table with generational projection using scale MP-2021.

Vermont State Teachers' Retirement System

Pre-retirement Mortality: All Groups: PubT-2010 Teacher Employee Headcount-Weighted Table with generational projection using scale MP-2021.

Post-retirement Retiree Mortality: All Groups: PubT-2010 Teacher Healthy Retiree Headcount-Weighted Table, with credibility adjustments of 103% and 93% for the Male and Female tables, respectively, with generational projection using scale MP-2021.

Post-retirement Beneficiaries Mortality: All Groups: Pub-2010 Contingent Survivor Headcount-Weighted Table with generational projection using scale MP-2021.

Disabled Mortality: All Groups: PubNS-2010 Non-Safety Disabled Retiree Headcount-Weighted Mortality Table with generational using scale MP-2021.

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which best estimate ranges of expected future rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding the expected inflation.

The following table contains the target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate or return assumption:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Global Equity	43.00%	5.35%
US Aggregate Fixed Income	19.00%	1.50%
Emerging Markets Debt	4.00%	5.00%
US TIPS	3.00%	1.50%
Private Credit	10.00%	5.50%
Real Estate	11.00%	3.25%
Private Equity	10.00%	7.50%
Total	100.00%	

Discount Rate (Plan Reporting)

The discount rate used to measure the total OPEB liability was 7.00% for the VSPB's OPEB and RTHMB's OPEB plans. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current System members. The assumed discount rate has been determined in accordance with the method prescribed by GASB Statement No. 74. The discount rate used in the prior year was 7.00% for VSPB OPEB and the RTHMB OPEB plans.

For the year ended June 30, 2023, the annual money-weighted rate return of investments, net of investment expense, was 8.70% for the VSPB, and 11.90% for the RTHMB. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate (Plan Reporting)

The following presents the NOL of the plans, as well as what the plans' NOL would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentge-point higher than the current rate (amounts in thousands):

	VSRS - VSPB	STRS - RTHMB
One-percent decrease		
Discount rate	6.00%	6.00%
Net OPEB liability	$ 1,016,662	$ 895,472
Net OPEB liability, as reported		
Discount rate	7.00%	7.00%
Net OPEB liability	$ 891,771	$ 779,535
One-percent increase		
Discount rate	8.00%	8.00%
Net OPEB liability	$ 787,396	$ 683,230

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate (Plan Reporting)

The following presents the NOL of the plans, as well as what the plans' NOL would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates (amounts in thousands):

	VSRS - VSPB	STRS - RTHMB
One-percent decrease		
Healthcare cost trend rate		
Non-medicare	6.39% graded to 3.50%	6.39% graded to 3.50%
Medicare	5.90% graded to 3.50%	5.90% graded to 3.50%
Medicare STRS 65	N/A	3.50%
Net OPEB liability	$ 778,671	$ 670,244
Net OPEB liability, as reported		
Healthcare cost trend rate		
Non-medicare	7.39% graded to 4.50%	7.39% graded to 4.50%
Medicare	6.90% graded to 4.50%	6.90% graded to 4.50%
Medicare STRS 65	N/A	4.50%
Net OPEB liability	$ 891,771	$ 779,535
One-percent increase		
Healthcare cost trend rate		
Non-medicare	8.39% graded to 5.50%	8.39% graded to 5.50%
Medicare	7.90% graded to 5.50%	7.90% graded to 5.50%
Medicare STRS 65	N/A	5.50%
Net OPEB liability	$ 1,030,515	$ 916,061

Dental Insurance
Dental plans are available to retired State employees, retired teachers, retired municipal employees and their eligible dependents. The dental plan must be elected at the time of retirement. The retiree pays the full premium for all covered lives. There is no cost to the State.

Life Insurance
In the case of life insurance, if a State employee retires with 20 or more years of service and was participating in the life insurance program, a $10,000 benefit will continue into retirement. If a State employee retires due to disability prior to age 60, and if proper documentation is approved by the life insurance company, full life insurance coverage will continue at the State's expense up to age 65. When the retiree reaches the age of 65 and if they have a total of 20 years or more of active and retired (while receiving disability) service, life insurance coverage will automatically change to the $10,000 level with 100% of the premium being paid by the State. In addition, a retiree may convert their insurance coverage in effect at their time of retirement to an individual policy within 30 days of their retirement date without a physical exam.

Vermont Municipal Employees Health Benefit Fund
The Vermont Municipal Employees Retirement System (MERS), a cost-sharing, multiple-employer public employees' retirement system, is administered by the State but has no associated State health care benefit or liability. While the Vermont Municipal Employees Health Benefit Fund is classified as a postemployment benefit

fund, there is no accrued liability in excess of the assets of the fund. There is no annual required contribution and unfunded actuarial accrued liability.

The MERS Retirement Health Savings Plan (RHS) established on July 1, 2007, is a tax-advantaged savings plan that assists retirees in paying for healthcare costs after retirement. Contributions to this fund are deposited into the RHS Plan member accounts on a tax-free basis, accumulate interest on a tax-free basis, and are drawn out during retirement on a tax-free basis to reimburse health care expenses, including out-of-pocket expenses, deductibles, and premiums.

The MERS Board deposited an initial amount of $5.1 million into the RHS accounts on July 2, 2007. Additional employer contributions totaling approximately $6 million were collected during the course of the fiscal years 2008 and 2009 that were deposited in member accounts during fiscal year 2009. No such contributions have been made since fiscal year 2009. Future contributions and subsequent transfers to member accounts will be made as directed by the MERS Board of Trustees. There is no guarantee that the RHS member accounts will receive any additional funding. While classified as a postemployment benefit fund, there is no accrued liability in excess of the asset of the fund. There is no annual required contribution and unfunded actuarial accrued liability.

All MERS defined benefit pension plan members and retirees who have a minimum of 5 years of contributory service are eligible to participate in the RHS plan. The amount each member will receive is determined by the total number of contributory years of service in the system. Each year of service is equal to one share. The share value is determined based on the total eligible population, the total number of years of contributory service represented, and the amount of the distribution. The share value will change when future deposits are made. All eligible members receive the first five shares in their medical reimbursement account, which may be used for any medical expense, including premium reimbursement. The additional shares, representing service credit above five years, are deposited into the premium reimbursement account, which may only be used for medical, dental, vision or long-term health care premium reimbursements.

The money may be accessed by members only after separation from service and the achievement of retiree status from the MERS plan. For members who were already receiving retirement benefits from the MERS, the funds in their RHS account could be accessed after July 2, 2007, to reimbursement expenses incurred after July 1, 2007. Members who are still actively employed, and members in a vested-terminated status, may access the funds once they retire and begin receiving monthly pension payments. Funds in the RHS accounts are invested in the appropriate age-related Milestone Fund through a third-party record keeper.

At June 30, 2023, there were 3,409 active and retired members participating in the MERS RHS plan. The net position of the MERS RHS plan at June 30, 2023 was $13,998,482.

The financial statements for the OPEB Funds are on the following two pages:

Statement of Fiduciary Net Position
Other Postemployment Benefit Funds
June 30, 2023

	Vermont State Postemployment Benefits Trust Fund	Vermont Retired Teachers' Health and Medical Benefits Fund	Vermont Municipal Employees' Health Benefit Fund
Assets			
Cash and short term investments	$ 13,627,189	$ 2,636,266	$ 1,601,319
Receivables			
Contributions	132,175	-	-
Other receivables	15,244	2,795,798	-
Investments			
Mutual funds	123,368,507	66,523,954	12,397,163
Private partnerships	658,367	386,660	-
Prepaid expenses	-	25,687	-
Total assets	137,801,482	72,368,365	13,998,482
Liabilities			
Accounts payable	42,159	139,980	-
Due to other funds	27	-	-
Total liabilities	42,186	139,980	-
Net position restricted for employee's other postemployment benefits	$ 137,759,296	$ 72,228,385	$ 13,998,482

Statement of Changes in Fiduciary Net Position
Other Postemployment Benefit Funds
For the Fiscal Year Ended June 30, 2023

	Vermont State Postemployment Benefits Trust Fund	Vermont Retired Teachers' Health and Medical Benefits Fund	Vermont Municipal Employees' Health Benefit Fund
Additions			
Contributions			
Employer - healthcare benefit	$ 64,698,572	$ -	$ -
Non-employer - healthcare benefit	-	57,168,208	-
Total contributions	64,698,572	57,168,208	-
Investment Income			
Net appreciation in fair value of investments	8,407,468	7,296,346	489,482
Dividends	1,024,223	98,538	310,099
Interest income	413,101	766,291	59,672
Other income	-	900,883	-
Total investment income	9,844,792	9,062,058	859,253
Less Investment Expenses			
Investment managers and consultants	35,114	19,401	-
Total investment expenses	35,114	19,401	-
Net investment income	9,809,678	9,042,657	859,253
Total additions	74,508,250	66,210,865	859,253
Deductions			
Other postemployment benefits	41,548,556	34,489,027	619,191
Operating expenses	441	1,303	119,335
Total deductions	41,548,997	34,490,330	738,526
Change in net position	32,959,253	31,720,535	120,727
Net position restricted for employees postemployment benefits			
July 1, 2022	104,800,043	40,507,850	13,877,755
June 30, 2023	$ 137,759,296	$ 72,228,385	$ 13,998,482

6. Changes in Long-term Liabilities

Governmental activities long-term liabilities are generally liquidated by payments from the governmental and internal service funds' programs, including all major governmental fund types except for the Education Fund. Bonds payable are liquidated by transfers of resources from the General, Transportation, Special and Federal Funds. During the year ended June 30, 2023, the following changes occurred in the governmental activities long-term liabilities:

	Total Liability July 1, 2022	Additions	Reductions	Total Liability June 30, 2023	Amounts due within one year
Governmental activities					
Bonds payable					
Bonds	$ 579,000,000	$ -	$ (51,245,000)	$ 527,755,000	$ 49,685,000
Bond premium	49,865,865	-	(10,134,213)	39,731,652	8,563,415
Total bonds payable	628,865,865	-	(61,379,213)	567,486,652	58,248,415
Lease liabilities	84,099,716	5,451,319	(12,345,691)	77,205,344	11,722,390
SBITA liabilities	-	49,900,169	(25,626,222)	24,273,947	11,928,781
Compensated absences	47,605,629	50,674,977	(48,354,301)	49,926,305	46,108,004
Claims and judgments	65,792,366	278,051,375	(251,309,098)	92,534,643	47,973,883
Contingent liabilities	7,000,000	-	-	7,000,000	-
Net pension liabilities	2,506,523,421	1,222,681,091	(691,244,689)	3,037,959,823	-
Net other postemployment liabilities	2,734,591,594	221,942,900	(1,453,537,587)	1,502,996,907	-
Pollution remediation obligations	10,740,436	9,889,673	(2,459,598)	18,170,511	2,391,461
Total governmental activities long-term liabilities	$ 6,085,219,027	$ 1,838,591,504	$ (2,546,256,399)	$ 5,377,554,132	$ 178,372,934

During the year ended June 30, 2023, the changes occurred in the business-type activities and fiduciary funds long-term liabilities are as follows:

	Total Liability July 1, 2022	Additions	Reductions	Total Liability June 30, 2023	Amounts due within one year
Business-type activities					
Compensated absences	$ 351,717	$ 369,159	$ (304,492)	$ 416,384	$ 355,072
Lottery prize awards payable	8,035,675	104,910,000	(104,488,116)	8,457,559	8,171,782
SBITA liabilities	-	5,454,604	(477,275)	4,977,329	518,339
Net pension liabilities	5,542,643	2,327,164	(3,408,588)	4,461,219	-
Net other postemployment liabilities	4,166,022	6,506,455	(5,305,956)	5,366,521	-
Other liabilities	2,774,234	2,491,921	(101,886)	5,164,269	1,381,391
Total business-type activities long-term liabilities	$ 20,870,291	$ 122,059,303	$ (114,086,313)	$ 28,843,281	$ 10,426,584
Fiduciary					
Compensated absences	$ 26,707	$ 22,561	$ (18,787)	$ 30,481	$ 23,783

The compensated absences for the Business-type activities are included as part of accrued salaries and benefits on the proprietary funds' Statement of Net Position. The compensated absences for the fiduciary funds are included as part of accrued liabilities on the fiduciary funds Statement of Net Position.

The Pollution Remediation Obligation (PRO) liabilities were measured using the actual contract cost when no changes in cost are expected, or a method that is materially close to the expected cash flow technique. Liability estimates are subject to change due to cost increases or reductions, or changes in technology or applicable laws or regulations governing the remediation efforts. There are no viable potentially responsible parties or insurance available to reduce the remediation costs. Overall, the state has recorded a pollution remediation liability of $18,170,511 of which $2,391,461 is due within one year.

Pollution remediation liability activity in fiscal year 2023 was as follows:

Superfund Sites

Under the federal Superfund law, the State is responsible for sharing remediation costs at sites where the United States Environmental Protection Agency (USEPA) expends resources from the superfund trust for cleanup. Currently, there are four sites where the state has referred the matter to federal Superfund jurisdiction, and has executed a contract, or legal obligation, to share in the cost for cleanup and long-term operations and maintenance. These obligations are reflected in a State Superfund Contract. The Superfund sites in Vermont are in various stages of cleanup, from initial assessment to cleanup activities. The PRO as of June 30, 2023 is $2,061,352 and the estimated current amount due is $228,099.

There are three superfund sites where no liability has been reported because obligations are not yet reasonably estimable. The sites include an abandoned copper mine requiring cleanup of acid mine drainage, a former capacitor manufacturing facility where groundwater cleanup is required due to releases of polychlorinated biphenyls (PCBs), and future operation and maintenance related to contaminated soil and groundwater from former industrial manufacturing facility.

Department of Environmental Conservation

The Vermont Agency of Natural Resources through the Department of Environmental Conservation (DEC) administers the Environmental Contingency Fund, authorized under 10 V.S.A. §1283, to pay for the investigation and cleanup of contaminated sites where there is no potentially responsible Party (PRP) or the PRP is recalcitrant, and the state considers it necessary to investigate and mitigate the effects of hazardous material releases to the environment. In the latter case, the state has the right to recover costs from the PRP, but in the former case, there is often no viable PRP to pursue and, if the pollution is significant, the state is left with little or no discretion to avoid fixing the problem. The largest potential obligation includes a former manufacturing facility with perfluorooctanoic acid (PFOA) impacting surrounding private drinking wells and public water systems. Additional sites include a former mining facility with waste rock piles that are discharging asbestos into downstream waters. The PRO as of June 30, 2023 is $11,577,031; the estimated current amount due is $2,128,380.

Other State Agencies and Departments

The Vermont Agency of Transportation has multiple sites where investigation or cleanup is underway. The projects include remediation for soil and groundwater contamination detected during construction and infrastructure bridge improvements. Although not under federal Superfund law, the agencies and departments work with regulators, including the USEPA, to ensure the remediation of contaminated sites. The PRO as of June 30, 2023 is $4,532,128 with an estimated $34,982 to be expended in the current fiscal year.

H. Fund Balance/Net Position

Governmental Funds

The composition of the summarized fund balances reported on the governmental funds' Balance Sheet for the fiscal year ended June 30, 2023, are as follows:

(Table on next page.)

	Restricted Purposes	Committed Purposes	Assigned Purposes
General Fund			
Government Operations			
Governor and other Elected Officials	$ -	$ -	$ 17
Legislature	-	-	101,800
Administrative Services	-	-	1,930,058
Public Safety and Regulatory Services	-	-	2,059,947
Courts	-	-	4,368,069
Health and Human Services	-	-	16,056,182
Correctional Services	-	-	847,131
Educational Services	-	-	51,000
Natural Resources Protection and Preservation	-	-	6,480,266
Economic and Community Development	-	-	19,495,853
Tourism and Marketing	-	-	1,100,749
Total General Fund	$ -	$ -	$ 52,491,072
Transportation Fund			
Transportation	$ 9,014,297	$ 38,701,655	$ -
Total Transportation Fund	$ 9,014,297	$ 38,701,655	$ -
Education Fund			
Educational Services	$ -	$ 233,419,015	$ -
Total Education Fund	$ -	$ 233,419,015	$ -

(Table continues on the next page.)

	Restricted Purposes	Committed Purposes	Assigned Purposes
Special Fund			
Government Operations			
Governor and Other Elected Officials	$ -	$ 363,289	$ -
Legislature	2,134	109,476	-
Administrative Services	263,736	171,357,956	-
Public Safety and Regulatory Services	1,511,323	46,087,210	-
Courts	-	1,811,882	-
Health and Human Services	14,721,614	-	-
Correctional Services	-	743,813	-
Employment and Training	-	18,065,711	-
Educational Services	-	2,568,249	-
Natural Resources Protection and Preservation	11,880,650	97,969,543	-
Economic and Community Development	-	988,372	-
Tourism and Marketing	-	241,316	-
Total Special Fund	$ 28,379,457	$ 340,306,817	$ -
Federal Revenue Fund			
Government Operations			
Governor and Other Elected Officials	$ 132,115	$ -	$ -
Administrative Services	1,143,383	-	-
Public Safety and Regulatory Services	12,144,865	-	-
Courts	59,386	-	-
Health and Human Services	64,504,339	-	-
Employment and Training	4,502,168	-	-
Natural Resources Protection and Preservation	476,245,169	-	-
Economic and Community Development	14,817	-	-
Total Federal Revenue Funds	$ 558,746,242	$ -	$ -
Global Commitment Fund			
Health and Human Services	$ 25,939,262	$ -	$ -
Total Global Commitment Fund	$ 25,939,262	$ -	$ -
Non-major Governmental Funds			
Government Operations			
Administrative Services	$ 20,617	$ -	$ -
Health and Human Services	14,320	-	-
Educational Services	-	27,158,192	-
Natural Resources Protection and Preservation	87,171	19,743,289	-
Economic and Community Development	5,836	-	-
Capital Outlays	1,647,488	-	-
Debt Service	-	3,534,678	-
Total Non-major Governmental Funds	$ 1,775,432	$ 50,436,159	$ -

Note V. OTHER INFORMATION

A. Risk Management

1. Workers' Compensation and Risk Management
The Agency of Administration's Financial Services Division oversees the Workers' Compensation and Risk Management programs, which administers all insurance programs for State government with the exception of the health and life insurance plans listed below. State policy is to minimize the purchase of commercial insurance by either self-funding or otherwise retaining the risk when it makes sense to do so. The programs set aside assets and pay claims utilizing the following three Internal Service Funds:

State Employees' Workers' Compensation Fund
State Liability Self Insurance Fund
Risk Management – All Other Fund (used for the purchase of commercial insurance policies)

The State Employees' Workers' Compensation Fund covers all State employees who are injured on the job, pursuant to State statute. Certain quasi-governmental entities may also request coverage through this program. The State has unlimited exposure to liability and has not purchased any excess workers' compensation insurance to limit this exposure. All claims are processed by a third-party administrator. Two types of claims audits are conducted annually. One is a claims management audit by an independent outside claims consulting company to ensure that the claims operations and claims adjusting follow leading industry practice. The second is a complete actuarial review of Workers' Compensation claims and fund to review and recommend reasonable reserve and funding levels. Reserve fund allocations are prepared by the actuary by reviewing their loss forecast and determining an experience modification factor by department that considers the claim experience of the individual department.

The State Liability Insurance Fund covers general and employment practices liability, discrimination, bodily injury, and automobile liability risk. The coverage is comparable to standard private commercial policies. This liability coverage is offered to state agencies and certain quasi-governmental agencies. The State's exposure to tort risk in Vermont is subject to the doctrine of sovereign immunity and is governed by the Vermont Tort Claims Act, 12 V.S.A. §5601. The current sovereign immunity limits are $500,000 per person and $2,000,000 per occurrence. Exposure outside of Vermont and to federal suits and other non-tort suits is potentially unlimited. The State has a per claim self-insured retention (SIR) for the first $1,000,000 of exposure. The State purchases an excess commercial liability insurance policy up to $1,000,000 per occurrence, $1,000,000 aggregate for a policy that provides insurance coverage for a claim or suit arising out of those occurrences, wrongful acts, employment practices wrongful acts or employee benefit wrongful acts to which maximum limits of liability are applicable under the Vermont Tort Claims Act. The State purchases another policy with limits of $5,000,000 per occurrence, $5,000,000 aggregate in excess of the $1,000,000 SIR for claims that are not subject to the Vermont Tort Claims Act. A third excess policy provides coverage of $5,000,000 per occurrence, $5,000,000 aggregate over the $5,000,000 underlying policy limits. Claims are processed by the third-party administrator and/or the Vermont Attorney General's Office. Two types of claims audits are conducted annually. One is a claims management audit by an independent outside claims consulting company to ensure that the claims operations and claims adjusting follow leading industry practice. The second is a complete actuarial review of liability claims and fund to review and recommend reasonable reserve and funding levels. The actuary prepares reserve fund allocations to each State department for general liability and automobile liability by reviewing their loss forecast and determining an experience modification factor by department that considers the claim experience of the individual department.

The Risk-Management All Other Fund provides insurance coverage through purchased commercial policies for risks not covered by the above funds. This coverage provides insurance for State-owned real property, flood, terrorism, cyber liability, bonds for various categories of employees, professional liability coverage for judges, workers' compensation coverage for non-state employees on contract with the Agency of Human Services, and various other miscellaneous coverages. The State's liability exposure is limited to the amount of the various deductibles associated with the respective policies and potentially for any claims in excess of the purchased limits. Premium charges from the various insurers are either assessed directly against the entity requiring the coverage or apportioned among those entities receiving the benefits of the coverage. Risk Management also assesses a surcharge of up to 5% of the premium to cover administrative costs. Entities eligible for coverage are state agencies and certain quasi-governmental agencies. The actuary prepares a reserve fund allocation to each State department for property insurance by reviewing their loss forecast and determining an experience modification factor by department that considers the claim experience of the individual department. The actuary's flood insurance premium allocation is based upon loss exposure. The actuary's cyber liability insurance premium allocation is based on claims history and a risk score due to cyber exposure.

2. Health Care Insurance, Dental Assistance Plan, and Life Insurance Funds for State Employee Benefit Plans

The Employee Benefits Division of the Department of Human Resources maintains medical/behavioral health insurance, dental assistance plan, and life insurance funds for the benefit of current State employees, retired former employees, and legislators as well as employees and certain former employees of outside "special" groups (Special Groups) which have been declared eligible to participate by statute or labor agreement. Not all of these named groups may participate in every plan. Detailed eligibility information for each group listed above can be found in the plan summaries that follow. Temporary and contractual employees are not eligible to participate in these plans.

Enrolled plan participants share in the premium cost of the medical/behavioral health plan. Prescription drug coverage is included in the medical/behavioral health plan. Premium rate development is performed by an outside actuary in conjunction with the Operations Division of the Department of Human Resources. The State's liability for incurred but not yet reported (IBNR) claims is calculated by the actuary and is based on the State's prior claims experience. Special Groups covered under the health insurance plan remit premium to the State for their members. Retirees covered under the health plan pay premium through the Retirement Division of the Treasurer's Office.

The plan options are: TotalChoice which is a "preferred provider organization" indemnity-type plan; and the SelectCare plan which is a "point of service" plan similar to an open-ended Health Maintenance Organization (members may opt out of the SelectCare network but must meet a deductible and coinsurance to do so). Benefits are administered under a managed care arrangement. Both health plan options are self-insured by the State. The State uses a third-party administrator to provide administrative services, including claims payment. To limit the State's large claims exposure, the State has purchased a stop loss insurance policy.

The self-funded State of Vermont Employee Dental Assistance Plan provides up to $1,000 regular dental benefits annually and up to $1,750 lifetime benefit for orthodontic expenses for each participant. These plan caps effectively limit the State's exposure to catastrophic loss, so no stop-loss insurance has been purchased. The Operations Division within the Department of Human Resources develops the premium rates, in consultation with the dental plan administrator's actuary. Participants include all groups mentioned in paragraph 1 above except for retirees. The State pays 100% of the premium for State employee participants and their covered dependents. Special Groups covered under the dental assistance plan remit premium to the State for their members.

The State of Vermont Employee Life Insurance Program consists of a Term-Life benefit and an Accidental Death and Dismemberment (AD&D) benefit, each of which provides coverage equal to two times a participant's base salary rounded down to the nearest $100. Retirees who work for the State for at least twenty years and who have life insurance at the time of retirement receive a retiree life benefit of $10,000 with no AD&D coverage. Both Life and AD&D are fully insured benefits. The State purchases insurance under which the carrier retains liability for all claims. The Operations Division calculates the premium rates charged to departments for both of these programs. The State pays 75% of active employees' premiums and 100% of retirees' premium costs. Only current State employees, retired State employees, and current active employees of the Special Groups are eligible to participate. Special Groups covered under the life insurance plan remit premium to the State for their members. In addition, employees can supplement their basic life coverage up to 8 times their annual salary up to a maximum of $1,000,000. This supplemental plan also provides coverage for spouses and domestic partners up to $250,000 and children up to $20,000. This supplemental coverage is paid 100% by the employee.

Three years' changes in the respective funds' claims liability amounts are displayed in the following table:

Fund and Fiscal Year	Liability at Beginning of the Fiscal Year	Current FY Claims and Changes in Estimates	Current FY Claims Payments	Liability at End of the Fiscal Year
Workers' Compensation Fund				
2021	$ 28,935,665	$ 12,068,748	$ (11,142,016)	$ 29,862,397
2022	29,862,397	12,186,742	(12,584,108)	29,465,031
2023	29,465,031	12,051,405	(11,994,264)	29,522,172
State Liability Insurance Fund				
2021	7,801,679	2,544,684	(332,343)	10,014,020
2022	10,014,020	3,472,741	(1,857,809)	11,628,952
2023	11,628,952	17,047,978	(2,301,595)	26,375,335
Medical Insurance Fund				
2021	21,104,782	193,796,889	(190,941,994)	23,959,677
2022	23,959,677	206,992,627	(206,590,073)	24,362,231
2023	24,362,231	242,348,575	(230,574,765)	36,136,041
Dental Insurance Fund				
2021	214,398	6,544,385	(6,387,114)	371,669
2022	371,669	6,180,559	(6,216,076)	336,152
2023	336,152	6,603,417	(6,438,474)	501,095

B. Budget Stabilization Reserves

The Legislature created Budget Stabilization Reserves within the General Fund per 32 V.S.A 308, the Transportation Fund per 32 V.S.A 308a, and the Education Fund Budget per 16 V.S.A 4026. These reserves were created to reduce the effects of annual variations in State revenues upon these funds by reserving certain surpluses of revenues.

The reserves balances consist of any budgetary basis surplus at the close of the fiscal year, provided the balance in each fund's Budget Stabilization Reserve shall not exceed an amount equal to five percent of its appropriations for the prior fiscal year plus any additional amounts as may be authorized by the Vermont Legislature. Use of the reserve is limited to offsetting the respective fund's deficit at the close of a fiscal year. For fiscal year 2023, the State fully funded the Budget Stabilization Reserves for the General, Transportation and Education Funds to their respective statutory maximum levels. The balances at June 30, 2023 are as follows: $106,668,844 in the General Fund's Budget Stabilization Reserve; $15,359,542 in the Transportation Fund's Budget Stabilization Reserve; and $41,832,210 in the Education Fund's Budget Stabilization Reserve.

In addition to the Budget Stabilization Reserve, the General Fund Balance Reserve, also known as the "Rainy Day Reserve" was established per 32 V.S.A 308c. After satisfying the requirements of 32 V.S.A 308, and after other reserve requirements have been met, fifty percent of any remaining the end of fiscal year General Fund surplus determined on budgetary basis shall be reserved in the General Fund Balance Reserve. The General Fund Balance Reserve shall not exceed five percent of the appropriations from the General Fund for the prior fiscal year without legislative authorization. Use of General Fund Balance Reserve is limited to the use of up to fifty percent of the amounts added in the prior fiscal year from the General Fund Balance Reserve to fund unforeseen or emergency needs, and to compensate for a reduction of revenues if the official State revenue estimates are reduced by two percent or more form the original estimate used to determined general appropriations act or budget adjustment act. For fiscal year 2023, the balance in the General Fund Balance Reserve was $80,365,373.

C. Contingent and Limited Liabilities

1. Contingent Liabilities

Federal Grants:
The State receives federal grants that are subject to audit and review by federal grantor agencies that could result in expenditures being disallowed under the terms of the grants. However, it is believed that required reimbursements resulting from such disallowances would not be material.

2. Limited Liabilities

Vermont Economic Development Authority:
The State has a limited liability for the VEDA. VEDA may create one or more debt service reserve funds in accordance with 10 V.S.A. Section 219. Annually, VEDA must report to the State the amount necessary to bring the reserve balances up to the minimum required by statute. This sum so certified may be appropriated by the State. To date, it has not been necessary for the State to appropriate money to maintain the reserve and it is not anticipated that any appropriation will have to be made.

Vermont Municipal Bond Bank:
The State has a limited liability for the Vermont Municipal Bond Bank (Bank). The Bank is required to maintain debt service reserve funds. 24 V.S.A. Section 4675 requires the State to provide annual appropriations to restore the reserve funds to the required minimum balance, if necessary. It has never been necessary for the State to appropriate money to the reserve fund and it is not anticipated that it will need to make an appropriation in the future.

Vermont Housing Finance Agency:
The State has a limited liability for the Vermont Housing Finance Agency (Agency). The Agency may create one or more debt service reserve funds in accordance with 10 V.S.A. Section 632. Annually, the Agency must report to the State the amount necessary to bring these reserve fund balances up to the minimum required by statute. This sum so certified may be appropriated by the State. It has not been necessary for the State to appropriate money to maintain the reserve fund and it is not anticipated that any appropriation will have to be made.

Vermont Student Assistance Corporation:
The State has a limited liability for the VSAC. VSAC may create one or more debt service reserve funds in accordance with 10 V.S.A. Section 2867. Annually, VSAC must report to the State the amount necessary to bring the reserve balances up to the minimum required by statute. This sum so certified may be appropriated by the State. To date, it has not been necessary for the State to appropriate money to maintain the reserve and it is not anticipated that any appropriation will have to be made.

University of Vermont:
The State has a limited liability for the UVM. UVM may create one or more debt service reserve funds in accordance with 16 V.S.A. Section 2363. Annually, UVM must report to the State the amount necessary to bring the reserve balances up to the minimum required by statute. This sum so certified may be appropriated by the State. To date, it has not been necessary for the State to appropriate money to maintain the reserve and it is not anticipated that any appropriation will have to be made.

Vermont State Colleges:
The State has a limited liability for the VSC. VSC may create one or more debt service reserve funds in accordance with 16 V.S.A. Section 286. Annually, VSC must report to the State the amount necessary to bring the reserve balances up to the minimum required by statute. This sum so certified may be appropriated by the

State. To date, it has not been necessary for the State to appropriate money to maintain the reserve and it is not anticipated that any appropriation will have to be made.

3. Contractual Liabilities

As of June 30, 2023, the State of Vermont had contractual obligations of $2,029,683,006, of which $726,424,959 are funded from federal sources. The Agency of Human Services (AHS) had contractual commitments of approximately $720,121,846. The Agency of Transportation had contractual commitments of approximately $591,863,895. The combined total for AHS and Transportations is 65% of the total contractual obligation of the State at fiscal year-end. Contracts such as retainer contracts and contracts for commodities have not been included since the nature of these on-going contracts are tracked statewide to insure the best prices for supplies and some professional services.

Remaining contractual obligations include:

> The AHS contracts remaining obligations are used for the Department of Children and Families (32%), the Department of Vermont Health Access (30%), the Department of Corrections (19%), Department of Aging and Independent Living (10%) and the Department of Health (5%). 78% of the Human Services contracts will expire by June 30, 2024.
>
> The Agency of Transportation contracts are mainly used for infrastructure construction; of which 77% of Transportation's contracts have end dates of June 30, 2024.
>
> Of the contracts in the Agency of Administration, 62% have end dates that expire by the end of fiscal year 2024. The Agency of Administration contract obligations are for human resource benefit administration services (64%) and capital construction (31%).
>
> The Agency of Digital Services (ADS), 67% of their contract obligations are for project management consulting and development, 12% for Cyber Security, and 5% for Web Portal Services. 49% of ADS's contracts will expire by the end of fiscal year 2024.
>
> The State Treasurer's Office contracts are mostly investment management services and health insurance for the retirement plans; of which 69% have end dates that will expire by the end of fiscal year 2024.
>
> Of the contract obligations for the Department of Liquor and Lottery (DLL), 99% are distributor vendor contracts. 95% of DLL's contracts have end dates of June 30, 2024.

Following is a summary of contractual obligations by agency, department, or office at June 30, 2023:

(Table on next page.)

Agency, Department, or Office	Total Contractual Obligation	Funded by Federal Sources	Funded by Other Sources
Agency of Human Services	$ 720,121,846	$ 342,650,215	$ 377,471,631
Agency of Transportation	591,863,895	314,179,837	277,684,058
Agency of Administration	221,351,780	593,656	220,758,124
Department of Liquor & Lottery	162,741,987	-	162,741,987
State Treasurer's Office	92,143,912	-	92,143,912
Agency of Digital Services	86,980,591	-	86,980,591
Agency of Natural Resources	31,696,484	10,452,000	21,244,484
Agency of Education	29,076,408	25,417,555	3,658,854
Military Department	17,575,477	15,259,895	2,315,582
Secretary of State's Office	11,014,012	3,856,670	7,157,342
Department of Public Safety	9,068,613	2,680,686	6,387,927
Financial Regulation	9,028,636	227,338	8,801,298
Department of Labor	8,740,320	8,740,320	-
Green Mountain Care Board	8,682,250	-	8,682,250
Office of the Defender General	6,151,091	-	6,151,091
Public Service Department	5,463,637	791,199	4,672,438
Auditor of Accounts' Office	4,588,587	-	4,588,587
Enhanced 911 Board	3,867,248	-	3,867,248
Agency of Agriculture, Food & Markets	3,683,733	980,835	2,702,898
Agency of Commerce & Community Development	2,917,528	445,209	2,472,319
Office of the Attorney General	1,613,375	47,696	1,565,679
Public Utility Commission	321,071	-	321,071
Criminal Justice Training Council	253,915	-	253,915
Center Crime Victim Services	240,172	101,850	138,322
Cannabis Control Board	197,550	-	197,550
Joint Fiscal Office	163,035	-	163,035
Judiciary	68,509	-	68,509
State's Attorneys and Sheriffs	45,315	-	45,315
Legislative Council	22,030	-	22,030
Total	$ 2,029,683,006	$ 726,424,959	$ 1,303,258,047

4. Grant Awards

The State of Vermont engages in many grant programs that benefit municipalities, non-profits, individuals, and families statewide. The grant table below summarizes the grant activity by agency, department, or office. The award balance represents the total grant obligation outstanding. The awards to grantees in the current fiscal year totaled $1,198,433,355. The award adjustments column includes an increase of $25,278,015 for amendments to grants that commenced in prior fiscal years and a reduction of $22,433,016 to the current year awards balance under Human Services for the contribution received from the University of Vermont Medical Center for the Graduate Medical Education program. The grants expended amount of $1,067,325,501 includes payments issued to grantees on both current year awards and prior year grant awards. The award balances on June 30, 2023, represents the remaining unexpended award amounts.

(Table on next page.)

	Number of Grants Awarded in 2023	Total Grant Obligation				
		Award Balances at June 30, 2022	Current Year Awards	Award Adjustments	Grants Expended	Award Balances at June 30, 2023
Agency of Administration	1,157	$ -	$ 290,573,600	$ -	$ 290,573,600	$ -
Agency of Agriculture, Food & Markets	743	16,399,532	26,209,041	53,548	21,878,874	20,783,247
Agency of Commerce & Community Development	593	77,618,758	105,645,096	(1,331,244)	89,720,720	92,211,890
Agency of Education	797	104,229,902	151,286,590	-	113,551,195	141,965,297
Agency of Human Services	1,241	142,690,726	326,154,449	(40,331,709)	271,552,675	156,960,791
Agency of Natural Resources	227	96,322,145	62,028,063	(2,556,669)	47,791,522	108,002,017
Agency of Transportation	910	207,048,372	136,182,602	39,598,751	124,741,502	258,088,223
Center Crime Victim Services	179	298,366	8,846,148	-	8,854,472	290,042
Department of Labor	40	3,643,392	4,473,924	3,717,534	6,253,666	5,581,184
Department of Liquor & Lottery	1	33,276	93,600	29,124	124,800	31,200
Department of Public Safety	224	17,902,047	18,863,742	3,673,685	38,109,923	2,329,551
Enhanced 911 Board	-	239,567	-	6,108	37,286	208,389
Financial Regulation	-	150,000	-	-	-	150,000
Judiciary	1	-	70,000	-	70,000	-
Military Department	11	-	113,400	-	95,400	18,000
Office of the Attorney General	12	81,991	3,089,862	3,308	2,968,267	206,894
Public Service Department	32	36,267,044	62,806,203	(33,609)	49,004,564	50,035,074
State Treasurer's Office	17	114,160	277,154	16,172	277,154	130,332
State's Attorneys and Sheriffs	41	-	1,719,881	-	1,719,881	-
Total	6,226	$ 703,039,278	$ 1,198,433,355	$ 2,844,999	$ 1,067,325,501	$ 836,992,131

The Agency of Administration includes the Department of Libraries who awarded 280 grants in the amount of $276.6 thousand to Public Libraries throughout the State. The agency also awarded over $166.8 million to help fund higher education in Vermont, $3.4 million to promote cultural development and $120 million to support communities across the State by providing direct economic and emergency funding under the American Rescue Plan. The Agency of Education awarded 797 grants totaling $151.3 million. The Agency of Human Services issued 1,241 awards or 19.9% of the total number of grants issued by the state and expended $242.8 million to improve the conditions and wellbeing of Vermonters. The Agency of Human Services also awarded $51.2 million to the University of Vermont Medical Center, Inc. for the Graduate Medical Education program (GME). The GME program helps ensure access to quality essential professional health services for Medicaid beneficiaries through the care provided by teaching physicians and teaching hospitals. The University of Vermont contributed $22.4 million to the State to support the GME programs; this support is listed as other revenue in the Global Commitment Fund. The Agency of Transportation awarded 910 grants, totaling $136.2 million, providing funding to communities around the state that focus on safety, preservation and maintenance of existing transportation system, economic development, and energy efficient transportation choices.

D. Litigation

The State, its agencies, officials, and employees are defendants in numerous lawsuits involving funding for social welfare programs, civil rights actions, public education funding, breach of contract and negligence. The Attorney General is unable to predict the ultimate outcome of the majority of these suits, some of which seek recovery of monetary damages of unspecified amounts. However, based on information provided by the Attorney General, any ultimate liability to the State resulting from these lawsuits that is not covered by various insurance policies, would not materially affect the State's overall financial condition.

EB-5 Settlement

The State of Vermont, 63 individual plaintiffs who have sued the State, and the federal receiver for Jay Peak, Inc *et al*., have reached an agreement to settle all pending and potential lawsuits against the State related to the eight

Jay Peak EB-5 projects. The terms of the settlement include a current payment by the State into the receivership of $9.5 million, a payment of $3 million by July 1, 2024, and conditional payment of an additional $4 million by July 1, 2025, for a maximum total payment of $16.5 million. Under the terms of the settlement, the State will continue its support of investors' pursuit of Green Cards. If those efforts are successful, the State will not be obligated to pay the final $4 million payment in 2025. In a separate June 2023 agreement, the State settled the claims of eight individual Jay Peak investors for a total payment of $750,000. The State believes the payments related to the EB-5 settlements will not have a material impact on the State's overall financial condition.

E. Joint Venture

The State of Vermont has entered into a Tri-State Lotto Compact with the States of New Hampshire and Maine for the purpose of operating a tri-state lottery. This lottery does not replace Vermont's individual lottery games but is run in addition to the existing games. The Compact provided for the creation of a Tri-State Lottery Commission (Commission) which is an interstate body, both corporate and politic, serving as a common agent for the party states and representing them both collectively and individually in the exercise of its powers and duties. The Commission is composed of one member from each of the party states. Each State's lottery appoints one of its members to this position. The three-member Commission annually elects a chairperson from among its members. The Commission is empowered to promulgate rules and regulations governing the establishment and to administer the operation of the Tri-State Lotto. Tri-State Lotto tickets are sold in each of the party states and processed in a central location as determined by the Commission. A proportional share of revenue and expenses is allocated to each state based on the ticket sales made by that state. The exceptions to the proportional allocation include: (1) the facilities management fee and agent commissions, which are based on a contracted percentage of operating revenue that varies from state to state; and (2) per diem charges, advertising, and certain printing, travel, and miscellaneous costs, which are allocated based on actual charges generated by each state. Comparative financial information for fiscal years ending June 30, 2023 and 2022 are as follows:

	June 30, 2023	June 30, 2022	Increase (Decrease)
Comparative Financial Information			
Assets	$ 29,603,646	$ 28,236,516	$ 1,367,130
Liabilities	25,653,511	23,813,354	1,840,157
Operating revenues	91,296,265	87,306,397	3,989,868
Interest income	705,520	143,840	561,680
Gain/(loss) on the sale of investments	(37,116)	282,976	(320,092)
Commissions, fees and bonus expense	7,186,881	6,735,787	451,094
Prize awards	56,585,648	53,087,870	3,497,778
Other operating expenses	4,147,186	4,351,422	(204,236)
Total transfers to member states	24,044,954	23,558,135	486,819
Transfer to Vermont	4,072,601	3,210,070	862,531

Tri-State Lotto Commission issues separately audited financial statements. Additional information regarding the Tri-State Lotto Commission may be obtained by contacting the Vermont Lottery Commission, 1311 US Route 302-Berlin, Suite 100, Barre, Vermont 05641.

F. Tax Abatements
The State of Vermont provides tax abatements through various programs subject to the requirements of GASB Statement No. 77. A tax abatement is defined as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity through which the government promises to forgo tax revenues to which they are otherwise entitled, and the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefit the government or its citizens. As of June 30, 2023, the State provided tax abatements through the following programs:

Vermont Affordable Housing Tax Credit	
Purpose of program	The program encourages construction or rehabilitation of affordable housing projects in the State.
Tax being abated	Personal income, corporate income, bank franchise, and insurance premium taxes
Authority to abate taxes	32 V.S.A. 5930u
Criteria to be eligible to receive abatements and commitment of the taxpayer	Any municipality, private sector developer, State agency as defined in 10 V.S.A. 6301a, the Vermont Housing Finance Agency, or a nonprofit organization qualifying under 26 U.S.C. 501(c)(3), or a cooperative housing organization, the purpose of which is to create and retain affordable housing for Vermonters with lower income and which has in its bylaws a requirement that the housing the organization creates be maintained as affordable housing for Vermonters with lower income on a perpetual basis. The taxpayer applies to and must be approved by the allocating agency to receive the credit. In return, the taxpayer agrees to construct or rehabilitate affordable housing projects as specified in the application submitted. Vermont's designated allocating agency for this tax credit is the Vermont Housing Finance Agency. The participant is required to ensure that eligible housing is maintained as affordable housing by subsidy covenant, as defined in 27 V.S.A. 610 on a perpetual basis.
How taxes are reduced	Taxpayer will claim credit on tax return. Unused credits may be carried forward for fourteen years.
How is the amount of the tax abatement determined	The amount of the credit is determined by the allocating agency based on the amount of eligible investment in the affordable housing project.
Provisions for recapturing abated taxes	N/A
Type of commitments other than taxes	N/A
Dollar amount of taxes abated during reporting period	$3,912,215

Agricultural and Managed Forest Land Use Program	
Purpose of program	The program goal is to preserve the working landscape and the rural character of Vermont.
Tax being abated	Education Property Tax
Authority to abate taxes	32 V.S.A 3756
Criteria to be eligible to receive abatements and commitment of the taxpayer	A property must be at least 25 contiguous acres in size to be eligible for enrollment in the program, with limited exceptions for actively farmed land, and conservation land owned by a qualified organization as defined in 10 V.S.A 6301a. The property owner applies to and must be approved by the Department of Taxes to receive the tax abatement. In return, the owners of agricultural land and/or farm buildings are required to certify annually that their agricultural land and farm buildings meet the requirements to be eligible for the program; and for forested and conservation land (non-agricultural) the property must be managed according to the approved forest or conservation management plan and according to state standards and be inspected at least once every 10 years.
How taxes are reduced	Reduction of assessed value
How is the amount of the tax abatement determined	Land is valued at fixed price per acre as determined by the Current Use Advisory Board
Provisions for recapturing abated taxes	Once enrolled in the program land is subject to a lien, if this land is ever developed or removed from the program, the owner at the time of development must pay a land use change tax of 10% tax on the full fair market value of the changed land determined without regard to the use value appraisal.
Type of commitments other than taxes	As part of the Land Use Program, is a municipal hold harmless payment that reimburses municipalities for property tax revenue not collected due to the reduction in assessed value from property enrolled in the Land Use Program. Fiscal year 2023 payments are $18,075,693.
Dollar amount of taxes abated during reporting period	$47,551,977

Vermont Downtown and Village Center Tax Credit Program	
Purpose of program	The program encourages the improvement and rehabilitation of historic properties in designated downtowns and village centers. It includes three tax credits: The Historic Rehabilitation Tax Credit, the Façade Improvement Tax Credit, and the Code or Technology Improvement Tax Credit.
Tax being abated	Personal income, corporate income, bank franchise, and insurance premium taxes
Authority to abate taxes	32 V.S.A. 5930cc
Criteria to be eligible to receive abatements and commitment of the taxpayer	Commercial buildings and non-profit owned buildings constructed before 1983 located within designated downtown or village centers are eligible for the credit. The taxpayer applies to and must be approved by the Vermont Downtown Development Board to receive the credit. In return, the taxpayer agrees to improve or rehabilitate their historic property in designated downtowns and village centers as specified in the application submitted.
How taxes are reduced	Taxpayer will claim credit on tax return. Unused credits may be carried forward for nine years.
How is the amount of the tax abatement determined	Historic Rehabilitation Tax Credit is 10% of qualified expenditures up to a maximum tax credit of $75,000. Façade Improvement Tax Credit is 25% of qualified expenditures up to a maximum tax credit of $25,000. Code or Technology Improvement Tax Credit is 50% of qualified expenditures up to a maximum tax credit of $50,000 for sprinklers, $50,000 for elevators, $12,000 for platform lifts, $50,000 for other qualified code improvements, and $30,000 for technology improvements.
Provisions for recapturing abated taxes	If, within five years after completion of the qualified project the applicant shall be liable for a recapture penalty in an amount equal to the total tax credit claimed if the Vermont Downtown Development Board finds that any work performed on the qualified project is inconsistent with the approved application; or the applicant knowingly failed to supply any information, or supplied incorrect or untrue information or failed to comply with any award condition; or in the case of the Historic Rehabilitation Tax Credit, the National Park Service revokes certification for unapproved alterations or for work not done as described in the historic preservation certification application.
Type of commitments other than taxes	N/A
Dollar amount of taxes abated during reporting period	$3,813,928

Vermont Employment Growth Incentive (VEGI)	
Purpose of program	The program is designed to encourage business recruitment, growth and expansion.
Tax being abated	Personal income taxes
Authority to abate taxes	32 V.S.A. 3330
Criteria to be eligible to receive abatements and commitment of the taxpayer	Any size business can apply, to be eligible to receive abatements. The Vermont Economic Progress Council (VEPC) must find for the project that the total estimated incremental tax revenues from all sources generated to the State by the proposed economic activity exceeds the revenue costs of the activity to the State, including the cost of the incentive. The host municipality must welcome the new business. The proposed economic activity must conform to applicable town and regional plans. If the business proposes to expand within a limited local market, an incentive must not give the business an unfair competitive advantage over other Vermont businesses in the same or similar line of business and in the same limited local market. Applicants must assert in writing and VEPC must agree that, but for the incentive, the proposed economic activity: would not occur; or would occur in a significantly different manner that is significantly less desirable to the State. The taxpayer applies to and must be approved by the VEPC to receive the tax abatement. In return, the taxpayer agrees to meet their performance requirements for new qualifying employment, new qualifying payroll, and new qualifying capital investments as specified in the application submitted.
How taxes are reduced	Refund of taxes paid
How is the amount of the tax abatement determined	The total amount of abatement is determined by a cost-benefit model analysis that calculates the estimated revenue benefits and costs to the State, based on the qualifying jobs, payroll, and capital investments projected by the applicant.
Provisions for recapturing abated taxes	For three years from the last day of the utilization period if the business experiences a 90% or greater reduction in base employment, or if the business fails to file required claim forms. In addition, if the business fails to meet its capital investment performance requirements by the end of the award period the abatements paid may be recaptured.
Type of commitments other than taxes	N/A
Dollar amount of taxes abated during reporting period	$2,798,955

G. Accounting Changes

Accounting changes related to the implemented of GASB Statement No. 91, Conduit Debt Obligation

During fiscal year 2023, Vermont Municipal Bond Bank (VMBB), a non-major discretely presented component unit, implemented GASB Statement No. 91, *Conduit Debt Obligation.* GASB 91 clarifies the existing definition of a conduit debt obligation and provides guidance on the accounting and financial reporting for conduit debt obligations. VMBB's beginning net position was restated for the effects of the implementation of GASB Statement No. 91. The effect of the restatement is shown below.

Restatement of net position

The effects of accounting changes on net position of component units were as follows:

	Non-major Component Units
As originally reported	$ 498,332,805
Restatements	
Adjustment for the implementation of GASB 91 as of July 1, 2022	(9,361,017)
Restated amount	$ 488,971,788

H. Subsequent Events

Debt Issuances

2023 Series A - General Obligation Bonds

The State issued $62,765,000 of 2023 Series A - General Obligation Bonds, dated September 7, 2023. The bonds are general obligations of the State of Vermont, and the full faith and credit of the State are pledged to the payment of principal and interest on these bonds. The interest rates on these bonds vary from 4% to 5%, and payment to bondholders is scheduled to commence on February 15, 2024, and terminate on August 15, 2043.

The issuance of these bonds is authorized by capital acts from legislative sessions: Act 50 (2021) as amended by Act 180 (2022), Act 139 (2020), Act 42 (2019) as amended by Act 139 (2020), and Act 84 (2017) as amended by Act 190 (2018). The proceeds are to be used for various purposes including capital projects, major maintenance at the State buildings, Vermont State Colleges, University of Vermont, various projects in the areas of natural resources, public safety, agriculture, clean water initiatives, various grant purposes, and other projects.

2023 Series B – General Obligation Refunding Bonds

The State issued $27,285,000 of 2023 Series B - General Obligation Refunding Bonds, dated September 7, 2023, for the purpose of current refunding of $2,430,000 outstanding principal of the 2012 Series E - General Obligation Bonds, $305,000 outstanding principal of the 2012 Series F - General Obligation Bonds, $3,375,000 outstanding principal of the 2013 Series A - General Obligation Bonds, and $23,745,000 outstanding principal of the 2013 Series B - General Obligation Bonds. Interest rates on the bonds are 5%, and payments to bondholders are scheduled to commence on February 15, 2024, and terminate on August 15, 2033. As a result of the bond refunding transaction, the State reduces its total debt service payments over the next 11 state fiscal years by $1,589,596, and achieves an economic gain of $1,289,061.

July 2023 Flooding Event

In early July 2023, the State experienced a series of rain and resultant flooding events, which led to extreme flood damage, mudslides, water runoff, erosion and resulting damage. On July 9, the Governor declared a state of emergency for the State in response to these severe storms. On July 10, the President of the United States declared that an emergency existed in the State. Once it became clear damages from mudslides, excessive rain, flooding, water runoff, and erosion from the July storms were not going to be isolated incidents but rather part of a series of events that would be ongoing statewide, the Governor requested, and on July 14, the President granted, a Declaration of a Major Disaster for the period July 7, 2023 and continuing. As of the date of this ACFR, the incident period end date has not yet been finalized.

The President's Disaster Declaration qualifies the State, communities, and individuals for FEMA financial and other support. All counties in the State have been determined to be eligible for FEMA Public Assistance, and FEMA Individual Assistance has been declared for the nine counties of Caledonia, Chittenden, Lamoille, Orange, Orleans, Rutland, Washington, Windham, and Windsor. In addition to the assistance from FEMA, the Federal Highway Administration also provided relief to the Agency of Transportation for State road and highway repairs, with costs for this work reimbursable at 100% for the first 270 days of the disaster, and up to two years thereafter at 80%.

The July 2023 Flooding damaged over 273 miles of roads and bridges across the State, as well as Vermont's rail lines, with 303 miles of rail closed due to flood damage, including 188 miles of state railroad and 115 miles of private railroad. Twenty State office buildings were damaged during the July 2023 Flooding, primarily in Montpelier's Capitol District. Full cost estimates for the damage to these State-owned buildings is not yet determined, however the State has insurance coverage in place that it expects will cover a portion of the real property losses suffered by the State office buildings that were damaged. The Department of Liquor and Lottery estimates a loss of inventory and equipment of approximately $1.7 million, and they are working on submitting a claim to FEMA for the losses.

The longer-term impacts of the July 2023 Flooding are yet to be fully undetermined. In particular, it is too early to estimate the total impacts of the flood-related damage, the total cost of repairing State buildings, roads, highways and other infrastructure, the federal funding available to the State and the overall economic impact of the July 2023 Flooding on the State. The State is currently compiling information relative to any asset impairments that need to be recorded. Any adjustments will be included in the financial statements for the year ending June 30, 2024.

Required Supplementary Information

(Unaudited)

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
VERMONT STATE RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
LAST TEN FISCAL YEARS
(Dollar amounts expressed in thousands)
(Unaudited)

	2023	2022	2021	2020
Total pension liability				
Service cost	$ 73,319	$ 67,752	$ 70,993	$ 53,010
Interest	236,673	226,513	214,277	204,548
Differences between expected and actual experience	38,771	74,201	59,818	5,123
Changes of assumptions	16,346	-	-	209,787
Changes of benefit terms	-	(49,146)	-	-
Benefit payments, including refunds of member contributions	(185,704)	(173,791)	(160,291)	(153,026)
Net change in total pension liability	179,405	145,529	184,797	319,442
Total pension liability, July 1	3,400,579	3,255,050	3,070,253	2,750,811
Total pension liability, June 30	3,579,984	3,400,579	3,255,050	3,070,253
Fiduciary net position				
Contributions - employer	116,388	197,523	88,944	84,430
Contributions - member	48,581	44,655	42,113	40,902
Net investment income (loss)	168,509	(215,474)	497,423	78,965
Benefit payments, including refunds of member contributions	(185,704)	(173,791)	(160,291)	(153,026)
Administrative expenses	(2,579)	(2,352)	(2,281)	(2,268)
Other	1,390	862	247	594
Net change in fiduciary net position	146,585	(148,577)	466,155	49,597
Fiduciary net position, beginning of year	2,276,645	2,425,222	1,959,067	1,909,470
Fiduciary net position, end of year	2,423,230	2,276,645	2,425,222	1,959,067
Net pension liability, June 30	$ 1,156,754	$ 1,123,934	$ 829,828	$ 1,111,186
Fiduciary net position as a percentage of the total pension liability	67.69%	66.95%	74.51%	63.81%
Covered payroll	$ 576,952	$ 552,317	$ 551,981	$ 527,571
Net pension liability as a percentage of covered payroll	200.49%	203.49%	150.34%	210.62%
Notes to Schedule				
Change in assumptions:				
Discount rate	7.00%	7.00%	7.00%	7.00%
Assumed inflation	2.30%	2.30%	2.30%	2.30%
Assumed COLA increase				
Groups A, and D	2.25%	2.40%	2.40%	2.40%
Group C (retired prior to 7/1/2022)	2.25%	2.40%	2.40%	2.40%
Group C (retired on or after 7/1/2022)	2.10%	2.15%	n/a	n/a
Group F (retired before 7/1/2008)	1.25%	1.35%	1.35%	1.35%
Group F (retired on or after 7/1/2008)	2.35%	2.40%	2.40%	2.40%
Group F (retired on or after 7/1/2022)	2.15%	2.25%	n/a	n/a

Plan Type: single employer

See Notes to the Required Supplementary Information.

See Independent Auditors' Report.

2019	2018	2017	2016	2015	2014
$ 51,946	$ 49,744	$ 42,704	$ 47,012	$ 41,786	$ 39,369
194,127	180,860	178,959	171,563	164,405	156,635
40,476	83,266	19,283	25,051	3,979	-
-	-	42,725	(21,853)	62,247	-
-	-	-	-	-	-
(144,297)	(134,090)	(126,480)	(120,094)	(111,396)	(104,493)
142,252	179,780	157,191	101,679	161,021	91,511
2,608,559	2,428,779	2,271,588	2,169,909	2,008,888	1,917,377
2,750,811	2,608,559	2,428,779	2,271,588	2,169,909	2,008,888
66,618	64,564	60,280	54,347	55,881	56,483
40,818	40,423	35,967	34,055	33,296	31,746
106,778	123,632	170,358	17,962	(8,485)	203,722
(144,297)	(134,090)	(126,480)	(120,094)	(111,396)	(104,493)
(2,246)	(1,720)	(1,777)	(1,467)	(1,858)	(1,158)
299	249	444	(14)	177	454
67,970	93,058	138,792	(15,211)	(32,385)	186,754
1,841,500	1,748,442	1,609,650	1,624,861	1,657,246	1,470,492
1,909,470	1,841,500	1,748,442	1,609,650	1,624,861	1,657,246
$ 841,341	$ 767,059	$ 680,337	$ 661,938	$ 545,048	$ 351,642
69.41%	70.59%	71.99%	70.86%	74.88%	82.50%
$ 521,671	$ 504,553	$ 471,268	$ 462,057	$ 437,676	$ 416,766
161.28%	152.03%	144.36%	143.26%	124.53%	84.37%
7.50%	7.50%	7.50%	7.95%	7.95%	8.22%
2.50%	2.50%	2.50%	3.00%	3.00%	3.00%
2.55%	2.55%	2.55%	3.00%	3.00%	3.00%
2.55%	2.55%	2.55%	3.00%	3.00%	3.00%
n/a	n/a	n/a	n/a	n/a	n/a
1.40%	1.40%	1.40%	1.50%	1.50%	1.50%
2.55%	2.55%	2.55%	3.00%	3.00%	3.00%
n/a	n/a	n/a	n/a	n/a	n/a

Fiscal Year 2023
Mortality improvement scales were updated to MP-2021.

Fiscal Year 2022
Changes in plan provisions for average final compensation, normal retirement eligibility and amount, early retirement amount, post retirement adjustments, and member contribution rates.

Fiscal Year 2020
Mortality tables updated from variations of RP-2006 with generational improvement to variations of PubG-2010 with generational projection.

GASB 67 valuation, various actuarial assumptions were changed in accordance with the findings of an experience study covering the five-year period ending June 30, 2019.

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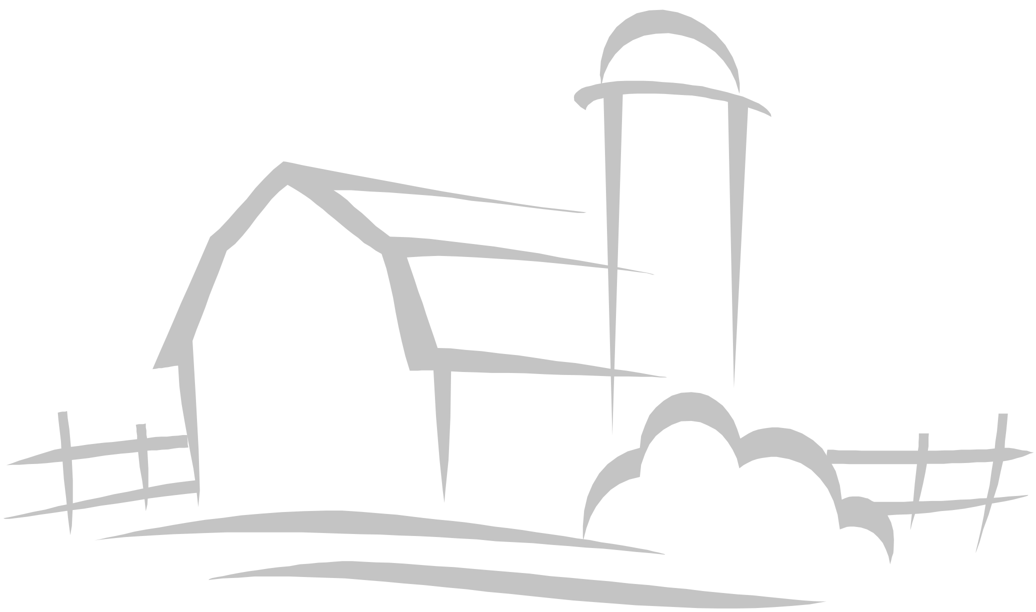

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATE TEACHERS' RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
LAST TEN FISCAL YEARS
(Dollar amounts expressed in thousands)
(Unaudited)

	2023	2022	2021	2020
Total pension liability				
Service cost	$ 78,228	$ 71,861	$ 72,149	$ 40,744
Interest	295,777	285,340	270,700	255,393
Differences between expected and actual experience	15,227	52,714	88,065	31,637
Changes of assumptions	(17,809)	-	-	310,968
Changes of benefit terms	-	(32,528)	-	-
Benefit payments, including refunds of member contributions	(241,627)	(227,698)	(215,249)	(201,237)
Net change in total pension liability	129,796	149,689	215,665	437,505
Total pension liability, July 1	4,267,972	4,118,283	3,902,618	3,465,113
Total pension liability, June 30	4,397,768	4,267,972	4,118,283	3,902,618
Fiduciary net position				
Contributions - non-employer	188,096	314,664	125,910	120,247
Contributions - member	51,998	44,597	42,199	40,599
Net investment income (loss)	178,492	(223,275)	512,194	83,105
Benefit payments, including refunds of member contributions	(241,627)	(227,698)	(215,249)	(201,237)
Administrative expenses	(3,047)	(2,715)	(2,782)	(2,815)
Other	14,384	11,047	9,031	7,103
Net change in fiduciary net position	188,296	(83,380)	471,303	47,002
Fiduciary net position, beginning of year	2,339,413	2,422,793	1,951,490	1,904,488
Fiduciary net position, end of year	2,527,709	2,339,413	2,422,793	1,951,490
Net pension liability, June 30	$ 1,870,059	$ 1,928,559	$ 1,695,490	$ 1,951,128
Fiduciary net position as a percentage of the total pension liability	57.48%	54.81%	58.83%	50.00%
Covered payroll	$ 701,567	$ 657,935	$ 645,903	$ 624,908
Net pension liability as a percentage of covered payroll	266.55%	293.12%	262.50%	312.23%
Notes to Schedule				
Change in assumptions:				
Discount rate	7.00%	7.00%	7.00%	7.00%
Assumed inflation	2.30%	2.30%	2.30%	2.30%
Assumed COLA increase				
Group A	2.30%	2.40%	2.40%	2.40%
Group C	1.20%	1.35%	1.35%	1.35%
Groups C (retired on or after 7/1/2022)	1.20%	1.20%	n/a	n/a

Plan Type: cost sharing multiple employer with a special funding situation

See Notes to the Required Supplementary Information.

See Independent Auditors' Report.

2019	2018	2017	2016	2015	2014
$ 39,766	$ 40,117	$ 35,383	$ 34,979	$ 33,614	$ 33,144
246,468	237,747	228,939	222,185	215,447	206,150
28,998	59,469	12,523	3,613	20,003	-
-	(32,957)	185,849	(7,224)	57,489	-
-	-	-	-	-	-
(193,197)	(182,259)	(172,156)	(162,751)	(150,734)	(140,846)
122,035	122,117	290,538	90,802	175,819	98,448
3,343,078	3,220,961	2,930,423	2,839,621	2,663,802	2,565,354
3,465,113	3,343,078	3,220,961	2,930,423	2,839,621	2,663,802
113,748	110,354	78,664	73,225	72,909	72,668
39,075	37,889	36,142	35,409	34,864	32,559
109,429	125,566	173,167	19,877	(7,567)	212,338
(193,197)	(182,259)	(172,156)	(162,751)	(150,734)	(140,847)
(2,715)	(2,084)	(2,214)	(1,797)	(2,259)	(26,116)
5,775	4,349	4,055	3,821	538	411
72,115	93,815	117,658	(32,216)	(52,249)	151,013
1,832,373	1,738,558	1,620,900	1,653,116	1,705,365	1,554,352
1,904,488	1,832,373	1,738,558	1,620,900	1,653,116	1,705,365
$ 1,560,625	$ 1,510,705	$ 1,482,403	$ 1,309,523	$ 1,186,505	$ 958,437
54.96%	54.81%	53.98%	55.31%	58.22%	64.02%
$ 612,899	$ 607,355	$ 586,397	$ 557,708	$ 567,074	$ 563,623
254.63%	248.74%	252.80%	234.80%	209.23%	170.05%
7.50%	7.50%	7.50%	7.95%	7.95%	8.15%
2.50%	2.50%	2.50%	3.00%	3.00%	3.00%
2.55%	2.55%	2.55%	3.00%	3.00%	3.00%
1.40%	1.40%	1.40%	1.50%	1.50%	1.50%
n/a	n/a	n/a	n/a	n/a	n/a

STATE OF VERMONT
STATE TEACHERS' RETIREMENT SYSTEM
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Fiscal Year 2023
Mortality improvement scales were updated to MP-2021.

Fiscal Year 2022
Changes in plan provisions for post-retirement adjustments, and member contribution rates.

Fiscal Year 2020
Mortality tables updated from variations of RP-2006 with generational improvement to variations of PubG-2010 with generational projection.

GASB 67 valuation, various actuarial assumptions were changed in accordance with the findings of an experience study covering the five-year period ending June 30, 2019.

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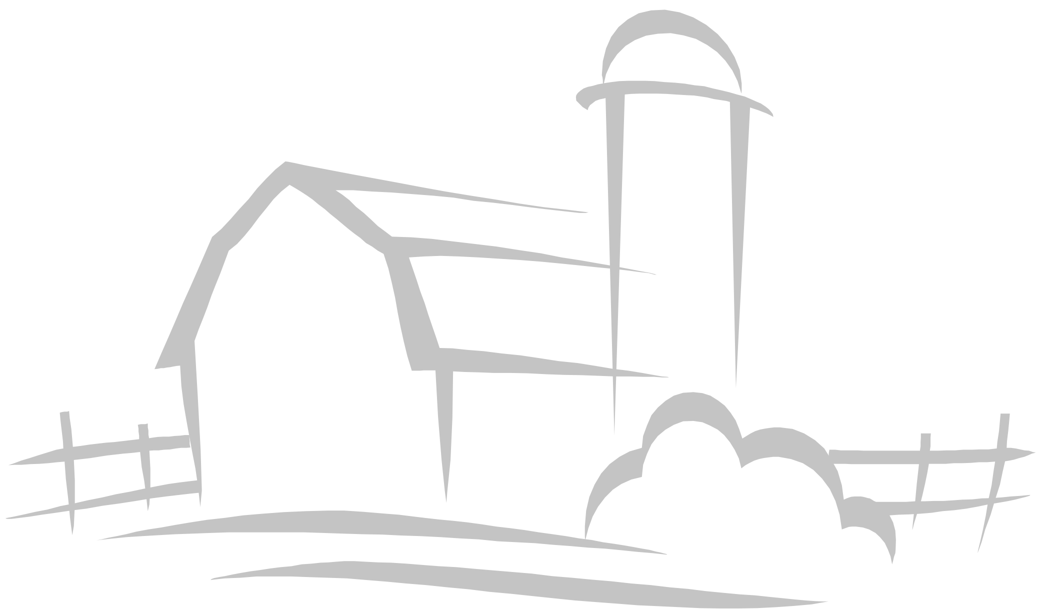

Vermont

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
LAST TEN FISCAL YEARS
(Dollar amounts expressed in thousands)
(Unaudited)

	2023	2022	2021	2020
Total pension liability				
Service cost	$ 42,204	$ 39,576	$ 37,158	$ 34,726
Interest	81,522	76,211	70,595	67,361
Differences between expected and actual experience	9,652	8,120	15,795	8,292
Changes of assumptions	3,580	-	-	38,774
Changes of benefit terms	-	364	-	-
Benefit payments, including refunds of member contributions	(53,902)	(48,138)	(43,357)	(39,084)
Net change in total pension liability	83,056	76,133	80,191	110,069
Total pension liability, July 1	1,149,351	1,073,218	993,027	882,958
Total pension liability, June 30	1,232,407	1,149,351	1,073,218	993,027
Fiduciary net position				
Contributions - employer	28,456	25,218	22,298	20,681
Contributions - member	29,696	25,025	23,074	20,771
Net investment income (loss)	63,095	(81,508)	184,850	29,114
Benefit payments, including refunds of member contributions	(53,902)	(48,138)	(43,357)	(39,084)
Administrative expenses	(1,302)	(1,303)	(1,249)	(1,355)
Other	91	651	365	460
Net change in fiduciary net position	66,134	(80,055)	185,981	30,587
Fiduciary net position, beginning of year	845,979	926,034	740,053	709,466
Fiduciary net position, end of year	912,113	845,979	926,034	740,053
Net pension liability, June 30	$ 320,294	$ 303,372	$ 147,184	$ 252,974
Fiduciary net position as a percentage of the total pension liability	74.01%	73.60%	86.29%	74.52%
Covered payroll	$ 355,709	$ 331,960	$ 327,492	$ 306,103
Net pension liability as a percentage of covered payroll	90.04%	91.39%	44.94%	82.64%
Notes to Schedule				
Changes in assumptions and methods:				
Discount rate	7.00%	7.00%	7.00%	7.00%
Assumed inflation	2.30%	2.30%	2.30%	2.30%
Assumed COLA increase				
Group A	1.10%	1.10%	1.10%	1.10%
Group B, C, and D	1.20%	1.20%	1.20%	1.20%

Plan Type: cost sharing multiple employer

See Notes to the Required Supplementary Information.

See Independent Auditors' Report.

2019	2018	2017	2016	2015	2014
$ 30,744	$ 28,434	$ 27,246	$ 25,264	$ 24,366	$ 22,519
61,618	56,504	54,780	49,744	46,058	42,139
17,468	14,172	(3,749)	1,088	3,046	-
-	-	14,481	12,204	19,192	-
-	194	-	-	-	-
(35,397)	(31,445)	(27,803)	(25,589)	(23,314)	(20,601)
74,433	67,859	64,955	62,711	69,348	44,057
808,525	740,666	675,711	613,000	543,652	499,595
882,958	808,525	740,666	675,711	613,000	543,652
19,203	17,520	16,482	15,236	14,136	12,806
19,778	19,167	25,210	15,227	13,588	13,234
38,740	43,889	59,487	6,777	(2,359)	64,346
(35,397)	(31,445)	(27,803)	(25,589)	(23,315)	(20,601)
(1,158)	(929)	(875)	(755)	(950)	(588)
451	137	(6)	215	279	2,143
41,617	48,339	72,495	11,111	1,379	71,340
667,849	619,510	547,015	535,904	534,525	463,186
709,466	667,849	619,510	547,015	535,904	534,526
$ 173,492	$ 140,676	$ 121,156	$ 128,696	$ 77,096	$ 9,126
80.35%	82.60%	83.64%	80.95%	87.42%	98.32%
$ 289,839	$ 274,814	$ 256,730	$ 249,811	$ 230,969	$ 220,372
59.86%	51.19%	47.19%	51.52%	33.38%	4.14%
7.50%	7.50%	7.50%	7.95%	7.95%	8.23%
2.50%	2.50%	2.50%	3.00%	3.00%	3.00%
1.15%	1.15%	1.15%	1.50%	1.50%	1.50%
1.30%	1.30%	1.30%	1.80%	1.80%	1.80%

Fiscal Year 2023
Mortality improvement scales were updated to MP-2021.

Fiscal Year 2022
Changes in plan provisions for member contribution rates, a 0.25% increase each year for four years, starting 07/01/2022.

Fiscal Year 2020
Mortality tables updated from variations of RP-2006 with generational improvement to variations of PubG-2010 with generational projection.

GASB 67 valuation, various actuarial assumptions were changed in accordance with the findings of an experience study covering the five-year period ending June 30, 2019.

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION PLANS
SCHEDULE OF EMPLOYER AND NONEMPLOYER CONTRIBUTIONS
LAST TEN YEARS
(Dollar amounts expressed in thousands)
(Unaudited)

Retirement System	Year Ended 6/30	Actuarially Determined Contribution[1] (ADC)	Contributions in Relation to ADC	Contribution (Excess) Deficiency	Covered Payroll (CP)	Contribution as a Percent of CP
Vermont State	2023	$ 116,038	$ 116,388	$ (350)	$ 576,952	20.17%
Retirement System	2022	119,968	197,523	(77,555)	552,317	35.76%
	2021	83,877	88,944	(5,067)	551,981	16.11%
	2020	78,944	84,430	(5,486)	527,571	16.00%
	2019	62,985	66,618	(3,633)	521,671	12.77%
	2018	52,065	64,564	(12,499)	504,553	12.80%
	2017	48,503	60,280	(11,777)	471,268	12.79%
	2016	46,238	54,347	(8,109)	462,057	11.76%
	2015	44,652	55,881	(11,229)	437,676	12.77%
	2014	42,786	56,483	(13,697)	416,766	13.55%
State Teachers'	2023	$ 194,962	$ 201,925	$ (6,963)	$ 701,567	28.78%
Retirement System[2]	2022	196,207	325,245	(129,038)	657,935	49.43%
	2021	132,142	134,541	(2,399)	645,903	20.83%
	2020	126,197	126,942	(745)	624,908	20.31%
	2019	105,641	119,175	(13,534)	612,899	19.44%
	2018	88,409	114,599	(26,190)	607,355	18.87%
	2017	82,660	82,887	(227)	586,397	14.13%
	2016	76,103	76,948	(845)	557,708	13.80%
	2015	72,858	72,909	(51)	567,074	12.86%
	2014	68,353	72,668	(4,315)	563,623	12.89%
Vermont Municipal Employees'	2023	$ 43,344	$ 28,456	$ 14,888	$ 355,709	8.00%
	2022	39,451	25,218	14,233	331,960	7.60%
Retirement System	2021	36,722	22,298	14,424	327,492	6.81%
	2020	22,618	20,681	1,937	306,103	6.76%
	2019	17,263	19,203	(1,940)	289,839	6.63%
	2018	15,067	17,520	(2,453)	274,814	6.38%
	2017	12,896	16,482	(3,586)	256,730	6.42%
	2016	15,236	15,236	-	249,811	6.10%
	2015	14,136	14,136	-	230,969	6.12%
	2014	12,806	12,806	-	220,372	5.81%

Notes to Schedule

[1]ADC for a given fiscal year are based on results from the June 30 actuarial valuation two years prior for STRS and VTRS, and one year prior for MERS.

[2] Included in the ADC is an actuarially determined contribution rate that is applied to the total earnable compensation for teachers whose funding is provided by federal grants and is paid by the employer to the STRS.

See Independent Auditors' Report.

The accompanying notes are an integral part of the required supplemental information.

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION PLANS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

	VSRS	STRS	MERS
Valuation date Actuarially determined contributions rates are calculated as of June 30 two years prior for VSRS and STRS and one year prior for MERS to the end of the fiscal year in which contributions are reported. Assumptions values listed below were used in determining the actuarially determined contributions rates calculated as of that date.			
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Installments increasing 3% per year	Installments increasing 3% per year	Installments increasing 3% per year
Remaining amortization period All closed basis	17 years	17 years	16 years
Asset valuation method	Preliminary Asset Value plus 20% of difference between market and preliminary asset values	Preliminary Asset Value plus 20% of difference between market and preliminary asset values	Actuarial value of assets using a five year smoothing technique
Actuarial assumptions			
Investment rate of return [1]	7.00%	7.00%	7.00%
Inflation rate	2.30%	2.30%	2.30%
Projected salary increases	3.40%-5.55%	3.55%-10.50%	4.50%-7.00%
Cost of living adjustments[2]	Groups A, C & D - 2.40% Group F - 1.35% Group F retiring after 7/1/2008 - 2.40%	Group A - 2.40% Group C - 1.35%	Group A - 1.10% Groups B, C & D - 1.20%

Mortality Rates

VSRS

Pre-retirement:

Group A/F - 60% of PubG-2010 General Employee Amount-Weighted Above Median, and 40% of PubG-2010 General Employee Amount-Weighted with generational projection using scale MP-2019
Group C - PubS-2010 Public Safety Employee Amount-Weighted with generational projection using scale MP-2019
Group D - 70% of PubG-2010 General Employee Amount-Weighted Above Median, and 30% of PubG-2010 General Employee with generational projection using scale MP-2019

Post-retirement Retiree

Group A/F - 109% of PubG-2010 General Healthy Retiree Amount-Weighted with generational projection using scale MP-2019
Group C - 40% of PubS-2010 Public Safety Retiree Amount-Weighted Above Median, and 60% of PubS-2010 Public Safety Retiree Amount-Weighted with generational projection using scale MP-2019
Group D - PubG-2010 General Healthy Retiree Amount-Weighted Above Median with generational projection using scale MP-2019

Post-retirement Beneficiaries

Group A/F - : Pub-2010 Contingent Survivor Amount-Weighted with generational projection using MP-2019
Group C - 40% of Pub-2010 Contingent Survivor Amount-Weighted Above Median, and 60% of Pub-2010 Contingent Survivor Amount-Weighted with generational projection using MP-2019
Group D - Pub-2010 Contingent Survivor Amount-Weighted Above Median with generational projection using MP-2019

Disabled Retiree:

All Groups - PubNS-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table with generational projection using scale MP-2019

STRS

Pre-retirement:

All Groups - PubT-2010 Teacher Employee Amount-Weighted Table with generational projection using scale MP-2019

Post-retirement Retiree

All Groups - PubT-2010 Teacher Healthy Retiree Amount-Weighted Table with generational projection using scale MP-2019

Post-retirement Beneficiaries

All Groups - 109% of the Pub-2010 Contingent Survivor Amount-Weighted Table with generational projection using scale MP-2019

Disabled Retiree:

All Groups - PubNS-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table with generational projection using scale MP-2019

MERS

Pre-retirement:

Groups A/B/C - 40% PubG-2010 General Employee Amount-Weighted below-median, and 60% PubG-2010 General Employee Amount-Weighted with generational projection using scale MP-2019
Group D - PubG-2010 General Employee Amount-Weighted above-median with generational projection using scale MP-2019

Post-retirement Retiree

Groups A/B/C - 104% of 40% PubG-2010 General Healthy Retiree Amount-Weighted below-median, and 60% PubG-2010 Healthy Retiree Amount-Weighted with generational projection using scale MP-2019
Group D - PubG-2010 General Healthy Retiree Amount-Weighted with generational projection using scale MP-2019

Post-retirement Beneficiaries

Groups A/B/C: 70% Pub-2010 Contingent Survivor Amount-Weighted below-median and 30% of Pub-2010 Contingent Survivor Amount-Weighted with generational projection using scale MP-2019.
Groups D - Pub-2010 Contingent Survivor Amount-Weighted with generational projection using scale MP-2019.

Disabled Retiree:

All Groups - PubNS-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table with generational projection using scale MP-2019

[1] Through the 2014 valuations, a select-and-ultimate interest rate set was used ranging from 6.25% in year 1 to 9% in years 17 and later.
For MERS rates - 2016 - 7.95%, 2018 and 2019 - 7.50%
For 2019 a 7.50% rate was used for VSRS and STRS

[2] Effective January 1, 2014, the Group F employees who were actively contributing into the system on June 30, 2008, and retired on or after July 1, 2008, are eligible for 100% of CPI.

See Independent Auditors' Report.

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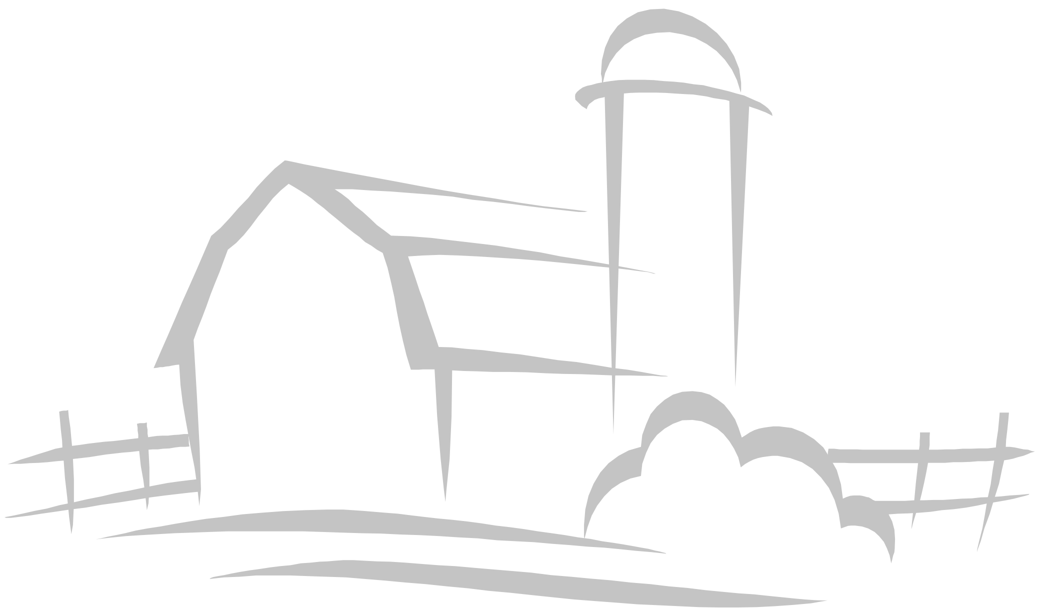

Vermont

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF STATE'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
LAST TEN YEARS[1]
(Dollar amounts expressed in thousands)
(Unaudited)

	Vermont State Retirement System			
	2023	2022	2021	2020
State's proportion of net pension liability	99.1039%	98.4031%	98.3248%	98.3137%
State's proportionate share of the net pension liability	$ 1,113,862	$ 816,577	$ 1,092,572	$ 827,153
Fiduciary net position as a percentage of the total pension liability	66.95%	74.51%	63.81%	69.41%

	State Teachers' Retirement System[2]			
	2023	2022	2021	2020
State's proportion of net pension liability	100%	100%	100%	100%
State's proportionate share of the net pension liability	$ 1,928,559	$ 1,695,490	$ 1,951,128	$ 1,560,625
Fiduciary net position as a percentage of the total pension liability	54.81%	58.83%	50.00%	54.96%

[1]The amounts presented for each fiscal year were determined by an actuarial valuation on June 30 two years prior to to the fiscal year. The measurement period and measurement date is one year prior to the fiscal year.

[2]The State Teacher's Retirement System has a special funding situation where the State, as the non-employer contributing entity, is responsible for the net pension liability.

See Independent Auditors' Report.

2019		2018		2017		2016		2015		2014
98.2187%		98.2850%		98.3625%		98.3289%		98.2355%		98.1400%
$ 753,395	$	668,669	$	651,099	$	535,939	$	345,437	$	438,573
70.59%		71.99%		70.86%		74.88%		82.50%		76.69%

2019		2018		2017		2016		2015		2014
100%		100%		100%		100%		100%		100%
$ 1,510,705	$	1,482,403	$	1,309,523	$	1,186,505	$	958,437	$	1,011,002
54.81%		53.98%		55.31%		58.22%		64.02%		60.59%

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PLANS
SCHEDULE OF INVESTMENT RETURNS
LAST TEN YEARS
(Unaudited)

	2023	2022	2021	2020
VERMONT STATE RETIREMENT SYSTEM				
Annual money-weighted rate of return, net of investment expense	7.65%	-7.42%	24.59%	3.90%
STATE TEACHERS' RETIREMENT SYSTEM				
Annual money-weighted rate of return, net of investment expense	7.64%	-7.41%	24.75%	4.10%
VERMONT MUNICIPAL EMPLOYEES RETIREMENT SYSTEM				
Annual money-weighted rate of return, net of investment expense	7.69%	-7.88%	24.32%	3.90%

See Independent Auditors' Report.

2019	2018	2017	2016	2015	2014
5.90%	6.73%	10.33%	1.44%	-0.50%	14.05%
6.10%	6.99%	10.17%	1.69%	-0.40%	13.83%
5.80%	6.75%	10.88%	1.56%	-0.51%	14.13%

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
VERMONT STATE POSTEMPLOYMENT BENEFIT TRUST FUND
SCHEDULE OF CHANGES IN NET OPEB LIABILITY
AND RELATED RATIOS
LAST SEVEN FISCAL YEARS
(Dollar amounts expressed in thousands)
(Unaudited)

	2023	2022	2021	2020
Total OPEB liability				
Service cost	$ 22,817	$ 67,476	$ 63,318	$ 45,691
Interest	63,680	39,605	34,088	45,754
Changes of benefit terms	-	(11,431)	-	-
Differences between expected and actual experience	(19,724)	241	4,953	20,361
Changes of assumptions	96,989	(746,859)	43,573	127,633
Benefit payments, net of retiree contributions, including administrative expense	(41,549)	(35,056)	(35,561)	(35,768)
Net change in total OPEB liability	122,213	(686,024)	110,371	203,671
Total OPEB liability, July 1	907,317	1,593,341	1,482,970	1,279,299
Total OPEB liability, June 30	1,029,530	907,317	1,593,341	1,482,970
Fiduciary net position				
Contributions - employer	64,699	35,170	90,463	38,600
Net investment income (loss)	9,810	(15,580)	7,775	3,030
Benefit payments, including refunds of member contributions	(41,549)	(35,056)	(35,561)	(35,768)
Administrative expenses	(1)	(2)	(1)	(3)
Net change in fiduciary net position	32,959	(15,468)	62,676	5,859
Fiduciary net position, beginning of year	104,800	120,268	57,592	51,733
Fiduciary net position, end of year	137,759	104,800	120,268	57,592
Net OPEB liability, June 30	$ 891,771	$ 802,517	$ 1,473,073	$ 1,425,378
Fiduciary net position as a percentage of the total OPEB liability	13.38%	11.55%	7.55%	3.88%
Covered payroll	$ 605,398	$ 579,629	$ 578,702	$ 554,292
Net OPEB liability as a percentage of covered-payroll	147.30%	138.45%	254.55%	257.15%
Notes to Schedule				
Discount rate	7.00%	7.00%	2.41%	2.23%
Assumed inflation	2.30%	2.50%	2.00%	2.00%

Plan Type: single employer

GASB No. 74 required supplementary information is not available for fiscal years prior to 2017. Data for future years will be added prospectively.

See Notes to the Required Supplementary Information.

See Independent Auditors' Report.

	2019	2018	2017
	$ 44,590	$ 52,326	$ 66,841
	49,041	54,401	46,868
	-	(20,233)	-
	6,284	7,140	-
	(25,551)	(303,322)	(190,151)
	(35,340)	(34,559)	(33,346)
	39,024	(244,247)	(109,788)
	1,240,275	1,484,522	1,594,310
	1,279,299	1,240,275	1,484,522
	63,750	32,957	33,123
	1,554	872	1,372
	(35,340)	(34,559)	(33,346)
	(2)	(1)	-
	29,962	(731)	1,149
	21,771	22,502	21,353
	51,733	21,771	22,502
	$ 1,227,566	$ 1,218,504	$ 1,462,020
	4.04%	1.76%	1.52%
	$ 548,512	$ 531,543	$ 497,201
	223.80%	229.24%	294.05%
	3.50%	3.87%	3.58%
	2.75%	2.75%	2.75%

STATE OF VERMONT
VERMONT STATE POSTEMPLOYMENT BENEFIT TRUST FUND
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Fiscal Year 2023
Mortality improvement scales were updated to MP-2021.

Fiscal Year 2022
Benefit changes: Changes were made to the eligibility requirements.
Changes in assumptions: The valuation-year per capita health costs and retiree contribution rates were updated; The percentage of active employees eligible to retire and receive the maximum premium subsidy who are assumed to participate in the plan increased from 80% to 85%; The percentage of active employees eligible to retire and receive less than the maximum premium subsidy who are assumed to participate in the plan decreased from 80% to 50%; The percentage of eligible future retirees covering a spouse that are assumed to elect the Premium Reduction Option decreased from 35% to 25%; The percentage of future female retirees assumed to have an eligible spouse who also opts for health coverage decreased from 60% to 55%; Retirement rates were updated for Group C to reflect the best estimate of anticipated future experience.

Fiscal Year 2018
Benefit changes: medical copays were modified, and pharmacy deductible and maximum out of pocket expenses were increased

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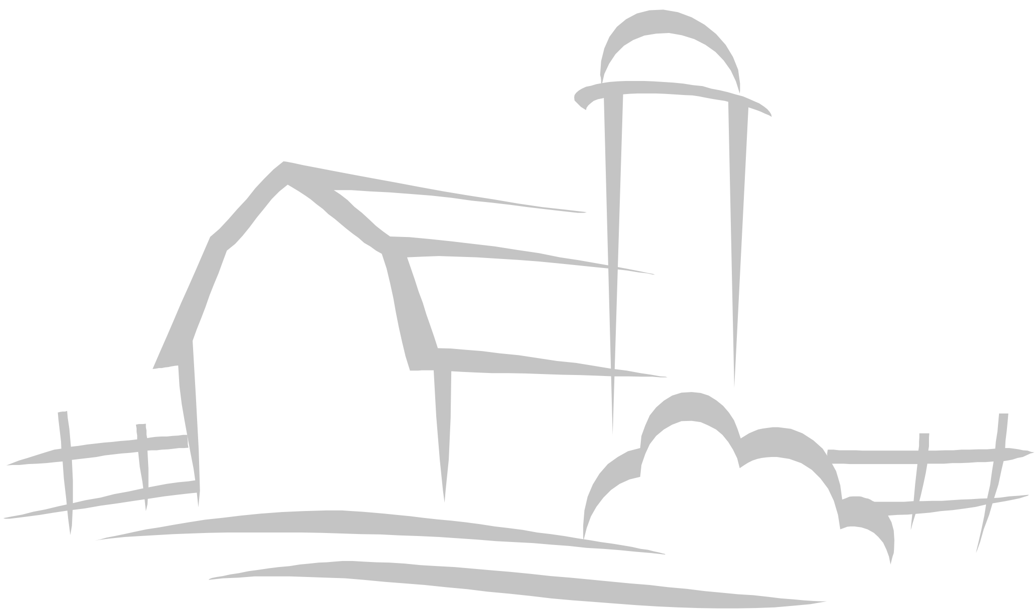

Vermont

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
RETIRED TEACHERS' HEALTH AND MEDICAL BENEFITS TRUST FUND
SCHEDULE OF CHANGES IN NET OPEB LIABILITY
AND RELATED RATIOS
LAST SEVEN FISCAL YEARS
(Dollar amounts expressed in thousands)
(Unaudited)

	2023	2022	2021	2020
Total OPEB liability				
Service cost	$ 16,347	$ 53,507	$ 50,729	$ 30,590
Interest	53,043	29,254	28,809	37,030
Changes of benefit terms	-	-	(75,248)	-
Differences between expected and actual experience	11,434	18,750	33,179	31,061
Changes of assumptions	47,069	(605,232)	15,408	155,924
Benefit payments, net of retiree contributions, including administrative expense	(34,489)	(28,141)	(30,775)	(27,551)
Net change in total OPEB liability	93,404	(531,862)	22,102	227,054
Total OPEB liability, July 1	758,359	1,290,221	1,268,119	1,041,065
Total OPEB liability, June 30	851,763	758,359	1,290,221	1,268,119
Fiduciary net position				
Contributions - non-employer	57,168	54,203	36,639	35,176
Net investment income (loss)	9,043	(186)	53	283
Benefit payments, including refunds of member contributions	(34,489)	(28,141)	(30,775)	(27,551)
Administrative expenses	(2)	(2)	(2)	(2)
Other	-	-	-	501
Net change in fiduciary net position	31,720	25,874	5,915	8,407
Fiduciary net position, beginning of year	40,508	14,634	8,719	312
Fiduciary net position, end of year	72,228	40,508	14,634	8,719
Net OPEB liability, June 30	$ 779,535	$ 717,851	$ 1,275,587	$ 1,259,400
Fiduciary net position as a percentage of the total OPEB liability	8.48%	5.34%	1.13%	0.69%
Covered payroll	$ 701,567	$ 657,935	$ 645,903	$ 624,908
Net OPEB liability as a percentage of covered payroll	111.11%	109.11%	197.49%	201.53%
Notes to Schedule				
Discount rate	7.00%	7.00%	2.20%	2.21%
Assumed inflation	2.30%	2.50%	2.00%	2.00%

Plan Type: cost sharing multiple employer with a special funding situation

GASB No. 74 required supplementary information is not available for fiscal years prior to 2017. Data for future years will be added prospectively.

See Notes to the Required Supplementary Information.

See Independent Auditors' Report.

2019	2018	2017
$ 20,786	$ 26,273	$ 32,511
36,139	32,838	26,425
(21,209)	-	-
24,665	42,621	-
82,448	(50,192)	(33,192)
(29,607)	(29,329)	(29,577)
113,222	22,211	(3,833)
927,843	905,632	909,465
1,041,065	927,843	905,632
56,594	29,803	23,839
31	20	41
(29,607)	(29,329)	(29,348)
(263)	(279)	(229)
-	-	-
26,755	215	(5,697)
(26,443)	(26,658)	(20,961)
312	(26,443)	(26,658)
$ 1,040,753	$ 954,286	$ 932,290
0.03%	-2.85%	-2.94%
$ 612,899	$ 607,355	$ 586,397
169.81%	157.12%	158.99%
3.50%	3.87%	3.58%
2.75%	2.75%	2.75%

STATE OF VERMONT
RETIRED TEACHERS' HEALTH AND MEDICAL BENEFITS TRUST FUND
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Fiscal Year 2023
Mortality improvement scales were updated to MP-2021.

Fiscal Year 2022
Changes in assumptions: the per capita valuation-year claims and retiree contribution rates were updated; The assumed health trend rates were modified; The percentage of future retirees at retirement assumed to have an eligible spouse who also opts for health coverage was increased from 40% to 60% for males and 25% to 40% for females.

Fiscal Year 2019
Benefit changes: OTC, Fertility, and ED drugs will be removed from the Medicare prescription drug plan, and non-Medicare retirees will be moved to the National Preferred Formulary and Accredo Exclusive Specialty Network.

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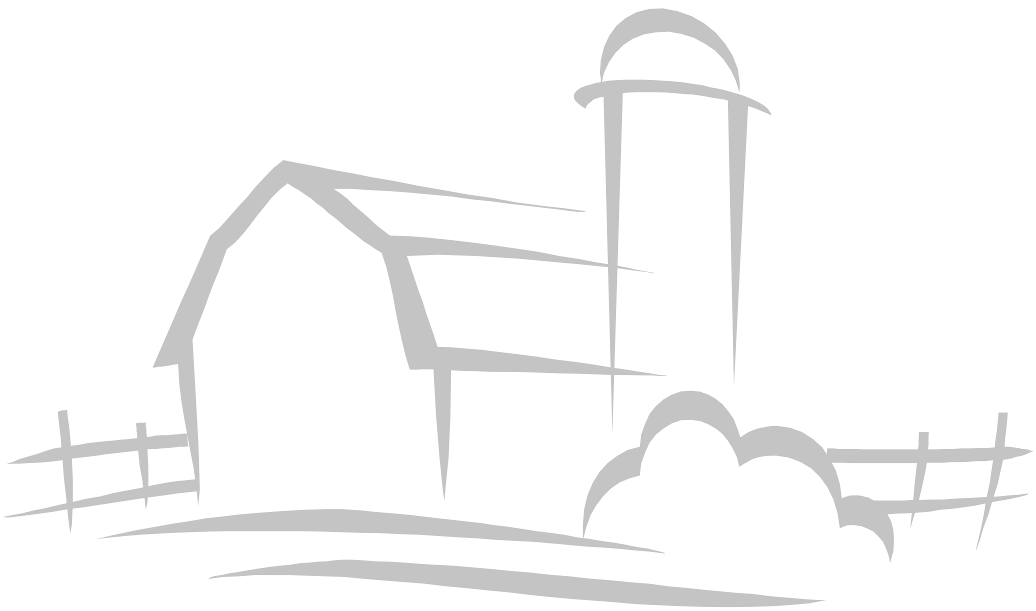

Vermont

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFIT PLANS
SCHEDULE OF INVESTMENT RETURNS
LAST SEVEN FISCAL YEARS
(Unaudited)

	2023	2022	2021	2020
Vermont State Postemployment Benefit Trust Fund				
Annual money-weighted rate of return, net of investment expense	8.70%	-13.09%	13.90%	6.20%
Retired Teachers' Health and Medical Benefits Fund *				
Annual money-weighted rate of return, net of investment expense	11.90%	-3.31%	0.30%	N/A

* The Retired Teachers' Health and Medical Benefits Fund has no investments for those years.

GASB No. 74 required supplementary information is not available for fiscal years prior to 2017. Data for future years will be added prospectively.

See Independent Auditors' Report.

2019	2018	2017
6.90%	4.00%	6.50%
N/A	N/A	N/A

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFIT PLANS
SCHEDULE OF EMPLOYER AND NONEMPLOYER CONTRIBUTIONS
LAST SEVEN FISCAL YEARS
(Dollar amounts expressed in thousands)
(Unaudited)

Retirement System	Year Ended 6/30	Actuarially Determined Contribution[1] (ADC)	Contributions in Relation to ADC	Contribution (Excess) Deficiency	Covered Payroll (CP)	Contribution as a Percent of CP
Vermont State Postemployment						
Benefit Trust Fund (VSPB)	2023	$ 64,578	$ 64,699	$ (121)	$ 605,398	10.69%
	2022	109,708	35,170	74,538	579,629	6.07%
	2021	90,026	90,463	(437)	578,702	15.63%
	2020	87,805	38,600	49,205	554,293	6.96%
	2019	100,188	63,750	36,438	548,512	11.62%
	2018	74,760	32,957	41,803	531,543	6.20%
	2017	71,833	33,123	38,710	497,201	6.66%
Retired Teachers' Health and						
Medical Benefits Fund (RTHMB)	2023	$ 54,814	$ 57,168	$ (2,354)	$ 701,567	8.15%
	2022	102,153	54,203	47,950	657,935	8.24%
	2021	67,912	36,639	31,273	645,903	5.67%
	2020	58,253	35,176	23,077	624,908	5.63%
	2019	54,659	56,594	(1,935)	612,899	9.23%
	2018	37,317	29,803	7,514	607,355	4.91%
	2017	35,918	23,839	12,079	586,397	4.07%

[1]ADC for a given fiscal year are based on results from the June 30 actuarial valuation two years prior.

GASB No. 74 required supplementary information is not available for fiscal years prior to 2017. Data for future years will be added prospectively.

See Independent Auditors' Report.

The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFIT PLANS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

	VSPB	RTHMB
Valuation date:		
Actuarially determined contributions rates are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are reported. Assumptions values listed below were used in determining the actuarially determined contributions rates calculated as of that date.		
Actuarial cost method	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percentage of payroll, closed basis	Level percentage of payroll, closed basis
Remaining amortization period	26 years	26 years
Asset valuation method	Fair Value	Fair Value
Actuarial assumptions		
Investment rate of return	7.00%	7.00%
Discount rate	2.41%	2.20%
Projected salary increases	Varies by age from age 20 - 5.55%, to age 60 - 3.40%.	Varies by age from age 20 - 10.50%, to age 60 - 3.30%
Inflation	2.00%	2.00%
Health care cost trend rates		
Non-Medicare	6.700% graded to 4.50% over 10 years	6.700% graded to 4.50% over 10 years
Medicare	6.000% graded to 4.50% over 12 years	6.000% graded to 4.50% over 11 years

Mortality Rates

VSPB

Pre-retirement:

Group A/F - 60% of PubG-2010 General Employee Headcount-Weighted Above Median, and 40% of PubG-2010 General Employee Headcount-Weighted with generational projection using scale MP-2019

Group C - PubS-2010 Public Safety Employee Headcount-Weighted with generational projection using scale MP-2019

Group D - 70% of PubG-2010 General Employee Headcount-Weighted Above Median, and 30% of PubG-2010 General Employee with generational projection using scale MP-2019

Post-retirement Retiree

Group A/F - 109% of PubG-2010 General Healthy Retiree Headcount-Weighted with generational projection using scale MP-2019

Group C - 40% of PubS-2010 Public Safety Retiree Headcount-Weighted Above Median, and 60% of PubS-2010 Public Safety Retiree Headcount-Weighted with generational projection using scale MP-2019

Group D - PubG-2010 General Healthy Retiree Headcount-Weighted Above Median with generational projection using scale MP-2019

Post-retirement Beneficiaries

Group A/F - : Pub-2010 Contingent Survivor Headcount-Weighted with generational projection using MP-2019

Group C - 40% of Pub-2010 Contingent Survivor Headcount-Weighted Above Median, and 60% of Pub-2010 Contingent Survivor Headcount-Weighted with generational projection using MP-2019

Group D - Pub-2010 Contingent Survivor Headcount-Weighted Above Median with generational projection using MP-2019

Disabled Retiree:

All Groups - PubNS-2010 Non-Safety Disabled Retiree Headcount-Weighted Mortality Table with generational projection using scale MP-2019

RTHMB

Pre-retirement:

All Groups - PubT-2010 Teacher Employee Headcount-Weighted Table with generational projection using scale MP-2019

Post-retirement Retiree

All Groups - PubT-2010 Teacher Healthy Retiree Headcount-Weighted Table with generational projection using scale MP-2019

Post-retirement Beneficiaries

All Groups - 109% of the Pub-2010 Contingent Survivor Headcount-Weighted Table with generational projection using scale MP-2019

Disabled Retiree:

All Groups - PubNS-2010 Non-Safety Disabled Retiree Headcount-Weighted Mortality Table with generational projection using scale MP-2019

See Independent Auditors' Report.

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF STATE'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
LAST SIX FISCAL YEARS[1]
(Dollar amounts expressed in thousands)
(Unaudited)

Vermont State Postemployment Benefit Trust Fund

	2023	2022	2021	2020
State's proportion of net OPEB liability	98.5041%	99.3278%	98.3218%	98.9933%
State's proportionate share of the net OPEB liability	$ 790,512	$ 1,463,170	$ 1,401,457	$ 1,215,208
Fiduciary net position as a percentage of the total OPEB liability	11.55%	7.55%	3.88%	4.04%

Retired Teachers' Health and Medical Benefits Fund[2]

	2023	2022	2021	2020
State's proportion of net OPEB liability	100%	100%	100%	100%
State's proportionate share of the net OPEB liability	$ 717,851	$ 1,275,587	$ 1,259,400	$ 1,040,753
Fiduciary net position as a percentage of the total OPEB liability	5.34%	1.13%	0.69%	0.03%

[1]The amounts presented for each fiscal year were determined as of the measurement date. The measurement period and measurement date is one year prior to the fiscal year.

[2]The Retired Teachers' Health and Medical Benefits Fund has a special funding situation where the State, as the non-employer contributing entity, is responsible for the net OPEB liability.

GASB No. 75 required supplementary information is not available for fiscal years prior to 2018. Data for future years will be added prospectively.

See Independent Auditors' Report.

	2019	2018
	98.2292%	98.2979%
	$ 1,196,927	$ 1,437,135
	1.76%	1.52%

	2019	2018
	100%	100%
	$ 954,286	$ 932,290
	-2.85%	-2.94%

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Revenues				
Taxes	$ 1,981,000,000	$ 2,086,700,000	$ 2,094,421,906	$ 7,721,906
Earnings of Departments	45,200,000	43,000,000	45,598,179	2,598,179
Other	35,000,000	51,600,000	84,560,598	32,960,598
Total revenues	2,061,200,000	2,181,300,000	2,224,580,683	43,280,683
Expenditures				
General Government				
Agency of Administration	90,173,399	109,788,981	57,412,862	(52,376,119)
Agency of Digital Services	699,872	5,734,113	1,549,755	(4,184,358)
Executive Office	1,716,379	2,449,904	2,346,920	(102,984)
Legislature	16,472,885	20,011,093	16,605,045	(3,406,048)
Joint Fiscal Office	2,970,924	3,501,907	2,804,907	(697,000)
Sergeant at Arms	1,509,761	1,690,006	1,395,498	(294,508)
Lieutenant Governor's Office	249,252	287,252	284,758	(2,494)
Auditor of Accounts	357,074	399,408	352,063	(47,345)
State Treasurer	1,809,658	26,608,296	6,226,484	(20,381,812)
State Labor Relations Board	285,511	306,877	283,873	(23,004)
VOSHA Review Board	47,961	72,062	59,128	(12,934)
Homeowner Property Tax Assistance	16,500,000	16,500,000	15,846,156	(653,844)
Renter Rebate Tax Assistance	9,500,000	9,500,000	7,056,513	(2,443,487)
State Ethics Commission	37,000	37,000	37,000	-
Protection to Persons and Property				
Attorney General	9,549,785	9,964,872	9,515,032	(449,840)
Defender General	21,785,076	24,638,799	23,031,096	(1,607,703)
Judiciary	56,335,433	80,846,940	64,048,701	(16,798,239)
State's Attorneys and Sheriffs	23,940,871	28,154,880	24,886,595	(3,268,285)
Department of Public Safety	77,619,365	84,734,511	62,357,549	(22,376,962)
Military Department	6,044,332	9,587,215	6,522,267	(3,064,948)
Center for Crime Victim Services	2,895,348	3,597,252	2,924,635	(672,617)
Criminal Justice Training Council	3,280,282	3,888,904	3,055,202	(833,702)
Agency of Agriculture, Food and Markets	12,966,273	20,483,662	13,525,228	(6,958,434)
Secretary of State	1,060,000	1,519,295	897,895	(621,400)
Public Service Department	8,600,000	40,100,000	600,000	(39,500,000)
Human Rights Commission	700,290	785,263	783,943	(1,320)
Department of Liquor and Lottery	-	15,000	-	(15,000)
Human Services				
Agency of Human Services	1,120,376,272	1,355,688,932	1,152,450,562	(203,238,370)
Green Mountain Care Board	7,361,362	9,319,957	3,765,153	(5,554,804)
Governor's Commission on Women	430,793	447,366	421,215	(26,151)
Human Services Board	490,779	528,319	391,381	(136,938)
Office of the Child, Youth, & Family Advocate	120,000	120,000	55,049	(64,951)
Vermont Veterans' Home	4,068,733	5,940,375	5,940,375	-
Labor				
Department of Labor	13,449,258	19,979,168	4,414,394	(15,564,774)
General Education				
Agency of Education	17,029,316	19,427,433	16,700,159	(2,727,274)
State Teacher's Retirement	189,451,806	189,751,806	189,751,806	-
Higher Education	127,848,685	142,548,685	134,548,685	(8,000,000)

continued on next page

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
GENERAL FUND (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Expenditures				
Natural Resources				
Agency of Natural Resources	42,406,171	72,225,535	45,102,233	(27,123,302)
Natural Resources Board	673,554	780,743	760,677	(20,066)
Commerce and Community Development				
Agency of Commerce and Community Development	39,401,328	75,920,767	25,290,395	(50,630,372)
Cultural Development	2,250,831	2,320,393	2,320,393	-
Housing and Conservation Board	200,000	138,395,864	12,109,366	(126,286,498)
Transportation				
Agency of Transportation	23,400,000	34,322,362	14,098,037	(20,224,325)
Total expenditures	1,956,065,619	2,572,921,197	1,932,528,985	(640,392,212)
Excess of revenues over expenditures	105,134,381	(391,621,197)	292,051,698	683,672,895
Other Financing Sources (Uses)				
Transfers in	87,087,070	89,473,540	89,473,540	-
Transfers out	(98,439,352)	(127,522,356)	(127,522,356)	-
Total other financing sources (uses)	(11,352,282)	(38,048,816)	(38,048,816)	-
Excess of revenues and other sources over (under) expenditures and other uses	93,782,099	(429,670,013)	254,002,882	683,672,895
Fund balance, July 1	1,012,239,630	1,012,239,630	1,012,239,630	-
Fund balance, June 30	$ 1,106,021,729	$ 582,569,617	$ 1,266,242,512	$ 683,672,895

See Independent Auditors' Report.

The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
TRANSPORTATION FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Revenues				
Taxes	$ 191,200,000	$ 190,200,000	$ 188,787,564	$ (1,412,436)
Motor vehicle fees	87,800,000	87,800,000	88,742,914	942,914
Federal	438,299,601	446,964,926	410,728,071	(36,236,855)
Other	44,730,000	42,900,000	44,848,959	1,948,959
Total revenues	762,029,601	767,864,926	733,107,508	(34,757,418)
Expenditures				
General Government				
Agency of Administration	5,561,763	4,284,728	4,100,775	(183,953)
Protection to Persons and Property				
Department of Public Safety	20,250,000	21,779,926	21,533,163	(246,763)
Transportation				
Agency of Transportation	761,747,505	779,261,507	717,744,993	(61,516,514)
Total expenditures	787,559,268	805,326,161	743,378,931	(61,947,230)
Excess of revenues over (under) expenditures	(25,529,667)	(37,461,235)	(10,271,423)	27,189,812
Other financing sources (uses)				
Transfers in	-	721,241	721,241	-
Transfers out	(4,041,739)	(4,041,739)	(4,041,739)	-
Total other financing sources (uses)	(4,041,739)	(3,320,498)	(3,320,498)	-
Excess of revenues and other sources over (under) expenditures and other uses	(29,571,406)	(40,781,733)	(13,591,921)	27,189,812
Fund balance, July 1	18,501,010	18,501,010	18,501,010	-
Fund balance, June 30	$ (11,070,396)	$ (22,280,723)	$ 4,909,089	$ 27,189,812

See Independent Auditors' Report.

The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
EDUCATION FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Revenues				
Taxes	$ 1,873,001,528	$ 1,901,601,528	$ 1,897,684,086	$ (3,917,442)
Interest and premiums	460,000	1,800,000	5,776,510	3,976,510
Total revenues	1,873,461,528	1,903,401,528	1,903,460,596	59,068
Expenditures				
General Education				
Agency of Education	1,896,693,134	1,952,331,029	1,895,367,800	(56,963,229)
State Teachers' Retirement	48,028,104	48,528,104	48,528,104	-
Total expenditures	1,944,721,238	2,000,859,133	1,943,895,904	(56,963,229)
Excess of revenues over (under) expenditures	(71,259,710)	(97,457,605)	(40,435,308)	57,022,297
Other financing sources (uses)				
Transfers in	42,443,661	42,443,661	42,443,661	-
Transfers out	-	(10,633)	(10,633)	-
Total other financing sources (uses)	42,443,661	42,433,028	42,433,028	-
Excess of revenues and other sources over (under) expenditures and other uses	(28,816,049)	(55,024,577)	1,997,720	57,022,297
Fund balance, July 1	234,036,807	234,036,807	234,036,807	-
Fund balance, June 30	$ 205,220,758	$ 179,012,230	$ 236,034,527	$ 57,022,297

See Independent Auditors' Report.

The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
SPECIAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Revenues				
Special Fund Revenues	$ 456,954,963	$ 787,945,281	$ 597,639,621	$ (190,305,660)
Total revenues	456,954,963	787,945,281	597,639,621	(190,305,660)
Expenditures				
General Government				
Agency of Administration	17,682,839	29,488,329	23,243,607	(6,244,722)
Agency of Digital Services	17,159,341	40,460,474	791,703	(39,668,771)
Executive Office	230,751	230,751	197,500	(33,251)
Sergeant at Arms	-	361,654	243,483	(118,171)
Auditor of Accounts	53,145	53,145	52,477	(668)
State Treasurer	3,020,379	3,295,379	3,088,641	(206,738)
Vermont Pension Investment Commission	2,136,685	2,136,685	1,758,064	(378,621)
State Labor Relations Board	9,576	9,576	6,788	(2,788)
VOSHA Review Board	47,961	50,218	50,218	-
Unorganized Towns and Gores	-	525,000	358,972	(166,028)
Ethics Commission	-	4,927	200	(4,727)
Protection to Persons and Property				
Attorney General	6,092,441	6,761,004	6,403,096	(357,908)
Defender General	589,653	870,354	490,661	(379,693)
Judiciary	5,355,833	12,878,341	4,946,653	(7,931,688)
State's Attorneys and Sheriffs	303,248	748,746	533,998	(214,748)
Department of Public Safety	23,131,148	24,307,170	19,998,370	(4,308,800)
Military Department	225,175	402,748	252,089	(150,659)
Center for Crime Victim Services	3,461,971	3,624,471	3,046,785	(577,686)
Criminal Justice Training Council	330,500	824,016	518,224	(305,792)
Agency of Agriculture, Food and Markets	17,542,663	25,531,282	16,689,205	(8,842,077)
Department of Financial Regulation	17,295,131	17,395,131	16,523,344	(871,787)
Secretary of State	13,242,272	14,775,703	13,380,002	(1,395,701)
Public Service Department	13,132,917	144,800,706	55,276,113	(89,524,593)
Public Utility Commission	4,099,690	4,545,190	4,530,026	(15,164)
Enhanced 911 Board	4,587,898	4,587,898	4,576,977	(10,921)
Human Rights Commission	-	99,468	34,708	(64,760)
Department of Liquor and Lottery	213,843	835,843	631,076	(204,767)
Cannabis Control Board	3,490,522	4,880,833	4,302,037	(578,796)
Human Services				
Agency of Human Services	173,583,182	268,571,023	206,615,774	(61,955,249)
Green Mountain Care Board	4,950,368	6,870,716	5,414,392	(1,456,324)
Governor's Commission on Women	3,848	3,848	1,660	(2,188)
Labor				
Department of Labor	11,022,259	11,022,259	3,969,947	(7,052,312)
General Education				
Agency of Education	20,566,203	20,711,404	19,305,300	(1,406,104)

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STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
SPECIAL FUND (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Expenditures				
Natural Resources				
Agency of Natural Resources	85,611,773	124,120,701	67,232,613	(56,888,088)
Natural Resources Board	2,608,765	2,608,765	2,608,757	(8)
Commerce and Community Development				
Agency of Commerce and Community Development	15,642,972	43,476,079	20,779,420	(22,696,659)
Cultural Development	-	45,865	45,865	-
Transportation				
Agency of Transportation	7,964,675	15,067,920	4,183,010	(10,884,910)
Total expenditures	475,389,627	836,983,622	512,081,755	(324,901,867)
Excess of revenues over expenditures	(18,434,664)	(49,038,341)	85,557,866	134,596,207
Other Financing Sources (Uses)				
Transfers in	71,577,521	104,183,791	104,183,791	-
Transfers out	(53,142,857)	(55,145,450)	(55,145,450)	-
Total other financing sources (uses)	18,434,664	49,038,341	49,038,341	-
Excess of revenues and other sources over (under) expenditures and other uses	-	-	134,596,207	134,596,207
Fund balance, July 1	306,918,624	306,918,624	306,918,624	-
Fund balance, June 30	$ 306,918,624	$ 306,918,624	$ 441,514,831	$ 134,596,207

See Independent Auditors' Report.

The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
FEDERAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Revenues				
Federal	$ 3,045,923,053	$ 4,293,811,581	$ 2,639,965,279	$ (1,653,846,302)
Interest and premiums	-	372,290	372,290	-
Other	-	2,138,445	2,138,445	-
Total revenues	3,045,923,053	4,296,322,316	2,642,476,014	(1,653,846,302)
Expenditures				
General Government				
Agency of Administration	73,808,858	230,025,574	128,082,745	(101,942,829)
Agency of Digital Services	-	1,298,753	603,723	(695,030)
State Treasurer	-	277,154	277,154	-
Protection to Persons and Property				
Attorney General	1,490,970	1,669,292	1,541,653	(127,639)
Defender General	-	140,000	140,000	-
Judiciary	953,928	1,307,343	1,293,907	(13,436)
State's Attorneys and Sheriffs	224,319	2,031,450	247,022	(1,784,428)
Department of Public Safety	60,948,606	204,766,723	149,503,926	(55,262,797)
Military Department	56,892,993	69,061,652	36,978,083	(32,083,569)
Center for Crime Victim Services	5,005,689	6,532,882	6,198,691	(334,191)
Agency of Agriculture, Food and Markets	17,580,839	26,783,918	15,721,537	(11,062,381)
Department of Financial Regulation	15,180,000	5,331,770	283,707	(5,048,063)
Secretary of State	5,408,587	5,910,000	2,756,976	(3,153,024)
Public Service Department	158,567,256	218,521,402	15,695,940	(202,825,462)
Human Rights Commission	80,257	80,257	78,082	(2,175)
Department of Liquor and Lottery	184,484	319,484	254,212	(65,272)
Human Services				
Agency of Human Services	1,703,716,218	2,189,422,821	1,958,838,583	(230,584,238)
Human Services Board	364,929	402,127	274,569	(127,558)
Vermont Veterans' Home	-	373,680	373,680	-
Labor				
Department of Labor	40,639,531	57,886,539	33,680,366	(24,206,173)
General Education				
Higher Education	14,900,000	29,318,259	24,159,570	(5,158,689)
Agency of Education	512,572,265	556,159,490	273,965,600	(282,193,890)
Natural Resources				
Agency of Natural Resources	153,822,768	263,418,975	43,744,380	(219,674,595)
Natural Resources Board	1,050,000	1,539,518	211,834	(1,327,684)

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STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
FEDERAL REVENUE FUND (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Expenditures				
Commerce and Community Development				
Agency of Commerce and Community Development	167,880,642	273,391,212	76,124,238	(197,266,974)
Housing and Conservation Board	30,600,000	101,799,274	19,993,406	(81,805,868)
Transportation				
Agency of Transportation	2,000,000	19,961,748	4,617,414	(15,344,334)
Total expenditures	3,023,873,139	4,267,731,297	2,795,640,998	(1,472,090,299)
Excess of revenues over expenditures	22,049,914	28,591,019	(153,164,984)	(181,756,003)
Other Financing Sources (Uses)				
Transfers out	(22,049,914)	(26,080,284)	(26,080,284)	-
Total other financing sources (uses)	(22,049,914)	(26,080,284)	(26,080,284)	-
Excess of revenues and other sources over (under) expenditures and other uses	-	2,510,735	(179,245,268)	(181,756,003)
Fund balance, July 1	877,785,898	877,785,898	877,785,898	-
Fund balance, June 30	$ 877,785,898	$ 880,296,633	$ 698,540,630	$ (181,756,003)

See Independent Auditors' Report.

The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
GLOBAL COMMITMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Revenues				
Global Commitment Premiums	$ 1,872,314,618	$ 2,030,691,575	$ 1,915,400,365	$ (115,291,210)
Total revenues	1,872,314,618	2,030,691,575	1,915,400,365	(115,291,210)
Expenditures				
Human Services				
Agency of Human Services	1,843,790,715	2,002,167,672	1,886,934,928	(115,232,744)
General Education				
Higher Education	409,461	409,461	409,461	-
Agency of Education	260,000	260,000	200,588	(59,412)
Total expenditures	1,844,460,176	2,002,837,133	1,887,544,977	(115,292,156)
Excess of revenues over (under) expenditures	27,854,442	27,854,442	27,855,388	946
Other financing sources (uses)				
Transfers out	(27,854,442)	(27,854,442)	(27,854,442)	-
Total other financing sources (uses)	(27,854,442)	(27,854,442)	(27,854,442)	-
Excess of revenues and other sources over (under) expenditures and other uses	-	-	946	946
Fund balance, July 1	16,041	16,041	16,041	-
Fund balance, June 30	$ 16,041	$ 16,041	$ 16,987	$ 946

See Independent Auditors' Report.

The accompanying notes are an integral part of the required supplementary information.

Notes to the Required Supplementary Information—Budgetary Reporting (unaudited)

Budgetary Comparison Schedules
The budgetary schedules provide a comparison of the original and final adopted budget with actual data on a budgetary basis for the Governmental Funds. The State's legal level of budgetary control is at the activity level. The State compiles a separate legal basis budgetary report, which shows the legal compliance with the budget. Budgetary comparison schedules showing legal level detail may be obtained by contacting the State of Vermont, Department of Finance and Management, 109 State Street, 4th Floor, Pavilion Building, Montpelier, Vermont 05609-0401.

Budgetary Process
Vermont statutes require the head of every State department, board, and commission and any officer or individual responsible for any activity for which funds are appropriated by the Vermont Legislature to provide, on or before September 1 preceding any biennium, statements to the Commissioner of Finance and Management showing in detail the amounts appropriated and expended for both the current and preceding fiscal years and the amount estimated to be necessary for similar activity for the ensuing two fiscal years. The Commissioner of Finance and Management and the Secretary of Administration are then required to submit to the Governor by November 15 preceding each biennium, the estimates as received along with any other estimates for the ensuing two fiscal years. The Governor then submits to the Vermont Legislature, no later than the third Tuesday of every annual session, a budget that embodies estimates, requests, and recommendations for appropriations or other authorizations for expenditures from the State treasury for at least the succeeding fiscal year. The Vermont Legislature then enacts into law an appropriations act that must be approved by the Governor before expenditures can be made. In recent years in accordance with Act 250 of 1979 Section 125, it has been the practice of the Governor to submit an annual budget and the Vermont Legislature to enact appropriations on an annual basis.

Budgets are prepared and appropriated on a cash basis and usually at the program level. The Governor may amend appropriations or transfer appropriations within limits established by 32 V.S.A. Chapter 9. The Agency of Administration maintains budgetary control by fund at the appropriation level. Governmental funds' unspent appropriation balances revert to the fund balance at the end of each fiscal year for re-appropriation unless authorized to be carried forward to the following year(s) by legislative act. Unexpended balances of capital projects funds are available for expenditure in the following fiscal year(s).

Revenue Estimates
By July 31 each year, the Joint Fiscal Office and the Secretary of Administration provide to the Emergency Board their respective estimates of State revenues in the General, Transportation, Education, and Global Commitment Funds. The Emergency Board then has 10 days to determine the original revenue estimates for the fiscal year. For the Special and Federal Revenue Funds the original budget for revenues is based on the amount appropriated for expenditures. By January 15, the Joint Fiscal Office and the Secretary of Administration provide to the Emergency Board their respective estimates of State revenues and the Emergency Board determines any revision to the July revenue estimates.

Expenditure and Transfer Budgets
The original budgets for expenditures and transfers are determined by the Legislature through the passage of the annual Appropriation Act. The Commissioner of Finance and Management (with approval from the Governor) may transfer balances of appropriations not to exceed $50,000 made under any appropriation act for the support of the government from one component of an agency, department, or other unit of State government, to any component of the same agency, department, or unit; and may transfer balances of appropriations made under any appropriation act from one department or unit of the agency of transportation to another department or unit of the agency of transportation for the specific purpose of funding authorized transportation projects which have been approved by the federal government for advance construction in which the expenditure of State funds will be reimbursed by federal funds when the federal funds become available, and the transfer is limited to funds which have been approved for reimbursement. If any receipts including federal receipts exceed the appropriated amounts, the receipts may be allocated and expended, subject to the approval of the Secretary of Administration. If, however, the expenditure of those receipts will establish or increase the scope of the program, which

establishment or increase will at any time commit the State to the expenditure of State funds, they may be expended only upon the approval of the Legislature. The full faith and credit of the State has been pledged to support various programs. Any payments that are required to be made by the Treasurer are paid in accordance with Vermont Statutes and do not require an appropriation by the Legislature.

Budgetary and GAAP Basis Reporting

The accompanying budgetary comparison schedules report the actual revenues, expenditures, and other financing sources (uses) on a budgetary basis, which differs significantly from GAAP. These different accounting principles result in basis, perspective, and entity differences in the fund balance - budgetary basis. *Basis differences* arise because the basis of budgeting (cash basis) differs from the GAAP basis used to prepare the statement of revenues, expenditures, and changes in fund balances - governmental funds. *Perspective differences* result because the Appropriation Act's program-oriented structure differs from the fund structure required for GAAP. *Entity differences* arise because certain activity reported within the State's financial reporting entity for GAAP purposes is excluded from the Appropriation Act. The following presents a reconciliation of the budgetary basis and GAAP basis fund balances for the funds reported in the accompanying schedules for the fiscal year ended June 30, 2023:

	General Fund	Transportation Fund	Education Fund	Special Fund	Federal Revenue Fund	Global Commitment Fund
Fund Balance - Budgetary Basis	$ 1,266,242,512	$ 4,909,089	$ 236,034,527	$ 441,514,831	$ 698,540,630	$ 16,987
Basis differences						
Cash not in budget balances	(613,512,902)	10,914	3,752,348	1,715,361	(353,879)	(3,178)
Investments	490,845,504	-	-	-	-	-
Taxes receivable	257,773,666	413,217	67,359,346	2,131,967	-	-
Notes and loans receivable	5,120,353	-	-	2,048,709	-	-
Other receivables	12,683,328	7,815,451	570,970	70,436,283	577,479	37,546,999
Interest receivable	2,369,863	25,169	-	79,132	-	-
Lease receivable	-	2,859,216	-	430,691	-	-
Due from other funds	1,217,652	11,872	1,557,611	8,322,085	998,506	69,070,790
Due from federal government	-	101,916,367	-	-	179,170,994	92,875,816
Due from component units	9,584,565	-	-	-	-	-
Interfund receivable	113,653,819	-	-	-	-	-
Advances to other funds	(188,996)	-	-	-	-	-
Advances to component units	5,500,000	-	-	-	-	-
Accounts payable	(51,732,248)	(55,240,877)	(51,820,613)	(24,746,532)	(99,745,762)	(159,288,642)
Accrued liabilities	(17,314,968)	(4,745,331)	-	(5,713,369)	(8,065,533)	(1,250,711)
Retainage payable	(330,350)	(78,660)	(48,532)	(443,285)	(1,962,529)	-
Unearned revenue	-	(144,613)	-	(88,092,623)	(666,369,131)	-
Tax refunds payable	(32,575,661)	-	(346,025)	(62,045)	-	-
Intergovernmental payables - federal government	-	-	-	-	(8,650,275)	-
Due to other funds	(74,127,647)	(3,184,667)	(4,914)	(2,120,995)	(10,547,656)	(1,317,122)
Due to component units	(126,193,806)	-	(14,268,480)	-	(59,051)	-
Unavailable revenue	(184,700,313)	(7,803,335)	(5,594,661)	(68,952,501)	(315,811)	(11,711,677)
Prepaid property taxes	-	-	(3,772,562)	-	-	-
Lease receivable deferred inflows	-	(3,071,173)	-	(446,648)	-	-
Entity differences						
Blended non-budgeted funds	-	4,023,313	-	5,138,842	474,591,763	-
Perspective differences						
Component unit included in budgeted funds	-	-	-	(4,435)	936,497	-
Fund Balance - GAAP Basis	$ 1,064,314,371	$ 47,715,952	$ 233,419,015	$ 341,235,468	$ 558,746,242	$ 25,939,262

FORM OF CONTINUING DISCLOSURE AGREEMENT

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FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the State of Vermont (the "Issuer") in connection with the issuance of its General Obligation Bonds, 2024 Series A (the "Series A Bonds") and its General Obligation Refunding Bonds, 2024 Series B (the "Series B Bonds," and together with the Series A Bonds, the "Bonds"). The Bonds are being issued by the State Treasurer, with the approval of the Governor, for various capital purposes of the State pursuant to Chapter 13 of Title 32 of the Vermont Statutes Annotated, as amended and pursuant to specific Acts of the General Assembly. The Issuer covenants and agrees for the benefit of the Beneficial Owners of the Bonds as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule").

SECTION 2. Definitions. The following capitalized terms shall have the following meanings when used herein:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person that has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Disclosure Representative" shall mean the State Treasurer or his or her designee, or such other officer or employee as the Issuer shall designate in writing from time to time.

"Dissemination Agent" shall mean the State Treasurer, or any successor Dissemination Agent designated in writing by the Issuer and that has filed with the Issuer a written acceptance of such designation.

"Holder" or "Bondholder" means the registered owner of a Bond.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Agreement. Filing information for the MSRB is set forth in Exhibit B hereto.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of Vermont.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, within one year after the end of the Issuer's fiscal year (presently June 30), provide to the MSRB an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer's fiscal year changes, it shall promptly file a notice of such change with the MSRB.

(b) Not later than fifteen (15) Business Days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send, in a timely manner, a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the Issuer), file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or include by reference the following:

Item 1. The audited financial statements of the Issuer for the most recently ended fiscal year were prepared in accordance with GAAP as promulgated to apply to governmental entities by the Governmental Accounting Standards Board. The future audited financial statements of the Issuer will be prepared either in accordance with GAAP as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board or using the modified cash basis of accounting which recognizes transactions only when cash changes hands. If the Issuer's audited financial statements are not completed by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements of the Issuer shall be filed in the same manner as the Annual Report when they become available; and

Item 2. Information concerning the Issuer's operations by updating the financial and operating data contained in the sections entitled "State Funds and Revenues," "Recent General Fund, Transportation Fund and Education Fund Operating Results," "Major Government Programs and Services," "Governmental Funds Operations," "State Indebtedness" and "Pension Plans" in the Official Statement of the State for the Bonds dated June 6, 2024.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which (i) are available to the public on the MSRB's Internet Web site or (ii) have been filed with the Securities and Exchange Commission. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events (each, a "Listed Event") with respect to the Bonds:

(i) principal and interest payment delinquencies.

(ii) non-payment related defaults, if material.

(iii) unscheduled draws on the debt service reserves reflecting financial difficulties.

(iv) unscheduled draws on the credit enhancements reflecting financial difficulties.

(v) substitution of the credit or liquidity providers or their failure to perform.

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

(vii) modifications to rights of Bondholders, if material.

(viii) optional, contingent or unscheduled calls of bonds, if material, and tender offers.

(ix) defeasances.

(x) release, substitution or sale of property securing repayment of the Bonds, if material.

(xi) rating changes.

(xii) bankruptcy, insolvency, receivership or similar event of the Issuer.[†]

(xiii) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(xv) Incurrence of a financial obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Issuer, any of which affect Bondholders, if material.[*]

(xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Issuer, any of which reflect financial difficulties.[*]

(b) Upon the occurrence of a Listed Event, the Issuer shall, in a timely manner not in excess of ten (10) business days after the occurrence of the event, file a notice of such occurrence with the MSRB.

SECTION 6. Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5.

SECTION 8. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Agreement. The initial Dissemination Agent shall be the State Treasurer.

[†] As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

[*] For purposes of event numbers (xv) and (xvi) in Section 5(a) of this Disclosure Certificate, the term "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "financial obligation" excludes municipal securities for which a final official statement has been provided to the MSRB consistent with the Rule.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided pursuant to the terms of the Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) the Issuer shall promptly file a notice of such change with the MSRB, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Agreement, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default pursuant to the terms of the Bonds, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: June 20, 2024

STATE OF VERMONT, as Issuer

By: ____
Michael Pieciak
Treasurer

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: State of Vermont

Name of Bond Issue: General Obligation Bonds, 2024 Series A and
General Obligation Refunding Bonds, 2024 Series B

Date of Issuance: June 20, 2024

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement dated June 20, 2024. The Issuer anticipates that the Annual Report will be filed by _______________.

Dated: ____________

STATE OF VERMONT, as Issuer

By: ____

EXHIBIT B

Filing information relating to the Municipal Securities Rulemaking Board is as follows:

Municipal Securities Rulemaking Board

http://emma.msrb.org

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APPENDIX C

FORM OF BOND COUNSEL OPINION

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PROPOSED FORM OF OPINION OF BOND COUNSEL

(Date of Delivery)

The Honorable Philip B. Scott
Governor of Vermont
The State Capitol
109 State Street
Montpelier, Vermont 05609

$70,790,000
State of Vermont
General Obligation Bonds, 2024 Series A
Dated Date of Delivery

and

$36,860,000
State of Vermont
General Obligation Refunding Bonds, 2024 Series B
Dated Date of Delivery

We have acted as bond counsel to the State of Vermont (the “State”) in connection with the issuance by the State of the above-referenced bonds (the “Bonds”). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations and covenants of the State contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination, we are of opinion, under existing law, as follows:

1. The Bonds are valid and binding general obligations of the State, and the full faith and credit of the State are pledged for the payment of the principal of and interest on the Bonds.

2. Interest on the Bonds is exempt from Vermont personal income taxes and Vermont corporate income taxes. We express no opinion regarding any other Vermont tax consequences arising with respect to the Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than Vermont.

3. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. However, interest on the Bonds will be included in the “adjusted financial statement income” of certain corporations that are subject to the alternative minimum tax under Section 55 of the Internal Revenue Code of 1986, as amended (the “Code”). In rendering the opinions set forth in this paragraph, we have assumed compliance by the State with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The State has covenanted to comply with all such requirements. Failure by the State to comply with certain of such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. We express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the Bonds and the enforceability of the Bonds may be subject to insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

LOCKE LORD LLP

STATE OF VERMONT • GENERAL OBLIGATION BONDS, 2024 SERIES A AND GENERAL OBLIGATION REFUNDING BONDS, 2024 SERIES B

Mixed Sources
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