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. For tax years beginning after December 31, 2022, 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.

$62,765,000
STATE OF VERMONT
General Obligation Bonds
2023 Series A†
(Competitive)

$27,285,000
STATE OF VERMONT
General Obligation Refunding Bonds
2023 Series B
(Vermont Citizen Bonds)‡
(Negotiated)

Dated: Date of Delivery **Due: As shown on the inside cover hereof**

The General Obligation Bonds, 2023 Series A Bonds (the "Series A Bonds") and the General Obligation Refunding Bonds, 2023 Series B Bonds (Vermont Citizen Bonds) (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 (i) in the case of the Series A Bonds, $5,000 or any integral multiple thereof, and (ii) in the case of the Series B Bonds, $1,000 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 February 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, with respect to the Series A Bonds, in the Official Notice of Sale. Certain legal matters will be passed upon for the Series B Underwriters by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts. 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 September 7, 2023.

Morgan Stanley

Raymond James **UBS**

August 22, 2023 (with respect to the Series A Bonds)
August 23, 2023 (with respect to the Series B Bonds)

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† The Series A Bonds were sold on a competitive sale basis as described herein under "COMPETITIVE SALE OF THE SERIES A BONDS".

‡ Only the Series B Bonds will be purchased by the Underwriters listed above, as described under "UNDERWRITING OF THE SERIES B BONDS" herein.

$62,765,000
STATE OF VERMONT
General Obligation Bonds
2023 Series A

Due August 15	Principal Amount	Interest Rate	Yield	CUSIP† 924258	Due August 15	Principal Amount	Interest Rate	Yield	CUSIP† 924258
2024	$3,140,000	5.00%	3.30%	5N2	2034	$3,140,000	5.00%	3.11%*	5Y8
2025	3,140,000	5.00	3.20	5P7	2035	3,140,000	5.00	3.19*	5Z5
2026	3,140,000	5.00	3.10	5Q5	2036	3,140,000	5.00	3.30*	6A9
2027	3,140,000	5.00	3.00	5R3	2037	3,135,000	5.00	3.42*	6B7
2028	3,140,000	5.00	2.98	5S1	2038	3,135,000	5.00	3.53*	6C5
2029	3,140,000	5.00	2.96	5T9	2039	3,135,000	5.00	3.59*	6D3
2030	3,140,000	5.00	2.96	5U6	2040	3,135,000	4.00	4.17	6E1
2031	3,140,000	5.00	2.96	5V4	2041	3,135,000	4.00	4.23	6F8
2032	3,140,000	5.00	2.97	5W2	2042	3,135,000	4.00	4.29	6G6
2033	3,140,000	5.00	3.04	5X0	2043	3,135,000	4.00	4.33	6H4

$27,285,000
STATE OF VERMONT
General Obligation Refunding Bonds
2023 Series B (VERMONT CITIZEN BONDS)

Due August 15	Principal Amount	Interest Rate	Yield	CUSIP† 924258	Due August 15	Principal Amount	Interest Rate	Yield	CUSIP† 924258
2024	$5,535,000	5.00%	3.34%	6J0	2030	$3,110,000	5.00%	3.05%	6N1
2027	3,040,000	5.00	3.06	6K7	2031	3,130,000	5.00	3.05	6P6
2028	3,060,000	5.00	3.05	6L5	2032	3,150,000	5.00	3.05	6Q4
2029	3,090,000	5.00	3.05	6M3	2033	3,170,000	5.00	3.12	6R2

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† 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 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.

In connection with the offering of the Series B Bonds, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Series B Bonds offered hereby at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. Subject to any restrictions as might be set forth in the Contract of Purchase, the Underwriters may offer and sell the Series B Bonds to certain dealers and certain dealer banks and banks acting as agents at prices lower than the public offering prices stated on the inside cover page hereof and said public offering prices may be changed from time to time by the Underwriters.

The Underwriters of the Series B Bonds have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement (excluding the information related solely to the Series A Bonds) in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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

$62,765,000 **General Obligation Bonds** **2023 SERIES A** **(Competitive)**	**$27,285,000** **General Obligation Refunding Bonds** **2023 SERIES B** **(VERMONT CITIZEN BONDS)** **(Negotiated)**

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 $62,765,000 aggregate principal amount of its General Obligation Bonds, 2023 Series A (the "Series A Bonds"), and $27,285,000 aggregate principal amount of its General Obligation Refunding Bonds, 2023 Series B (Vermont Citizen Bonds) (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 (i) $5,000 or any integral multiple thereof, with respect to the Series A Bonds, and (ii) $1,000 or any integral multiple thereof, with respect to the Series B Bonds, 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 February 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 50 of 2021 (as amended by Act 180 of 2022)		
Section 2	State Buildings	$6,185,503
Section 3	Human Services	11,681,492
Section 4	Commerce and Community Development	528,575
Section 5	Grant Programs	1,420,879
Section 7	University of Vermont	2,986,480
Section 8	Vermont State Colleges	5,881,974
Section 9	Natural Resources	12,334,234
Section 10	Clean Water Initiatives	7,790,293
Section 11	Military	786,837
Section 12	Public Safety	537,782
Section 13	Agriculture, Food and Markets	605,443
Section 14	Vermont Rural Fire Protection	99,099
Section 16	Vermont Housing Conservation Board	1,476,215
Section 17	Agency of Digital Services	159,851
Act 139 of 2020		
Section 12	Agency of Transportation	1,675,443
Act 42 of 2019 (as amended by Act 139 of 2020)		
Section 2	State Buildings	2,115,712
Section 3	Human Services	310,464
Section 5	Commerce and Community Development	217,946
Section 6	Grant Programs	213,042
Section 10	Natural Resources	746,515
Section 11	Clean Water Initiatives	825,975
Section 12	Military	270,280
Section 13	Public Safety	6,384,121
Section 14	Agriculture, Food and Markets	79,545
Act 84 of 2017 (as amended by Act 190 of 2018)		
Section 10	Natural Resources	18,640
Section 11	Clean Water Initiatives	20,828
Section 13	Public Safety	2,569,739
	Total:	**$67,922,907**

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 August 15, 2033 will not be subject to redemption prior to maturity. The Series A Bonds maturing after August 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 not 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.

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
2012 Series E	08/15/2024	4.00%	$1,215,000	12/5/2023	100%
	08/15/2024	5.00	1,215,000	12/5/2023	100
			$2,430,000		
2012 Series F	08/15/2025	3.00%	$150,000	12/5/2023	100%
	08/15/2026	3.00	155,000	12/5/2023	100
			$305,000		
2013 Series A	08/15/2024	4.00%	$515,000	12/5/2023	100%
	08/15/2024	5.00	500,000	12/5/2023	100
	08/15/2027	3.25	465,000	12/5/2023	100
	08/15/2028	3.50	1,895,000	12/5/2023	100
			$3,375,000		
2013 Series B	08/15/2024	4.00%	$2,375,000	12/5/2023	100%
	08/15/2027	4.00	2,925,000	12/5/2023	100
	08/15/2028	4.00	1,495,000	12/5/2023	100
	08/15/2029	4.00	3,390,000	12/5/2023	100
	08/15/2030	4.00	3,390,000	12/5/2023	100
	08/15/2031	4.00	3,390,000	12/5/2023	100
	08/15/2032	4.00	3,390,000	12/5/2023	100
	08/15/2033	4.00	3,390,000	12/5/2023	100
			$23,745,000		

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.

The Legislative Branch: 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.

The Executive Branch: 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.

The Judicial Branch: 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 May 2023, State labor markets had recovered nearly 9 of every 10 jobs lost during the pandemic-induced downturn, with an estimated 7,300 nonfarm payroll jobs (or 10.9% of the 67,200 jobs lost during the downturn) left to recover. The State's total nonfarm payroll job count as of May 2023 was 1.8% below the nonfarm payroll job count as of February 2020. Three states in the New England region (Maine, Massachusetts, and New Hampshire) had completed their respective state labor market recoveries as of May 2023, while each of Vermont, Connecticut, and Rhode Island had not yet completed its respective labor market recoveries as of that date. 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. For the fiscal year ended June 30, 2020, the combined General Fund, Education Fund and Transportation Fund revenues were under the budget plan by approximately $183.9 million, prior to consideration of any "fiscal shift revenues," or approximately 7.5%. Despite some continued uncertainty regarding the global and national economy, aggregate State revenues began to increase in fiscal year 2021, and combined General Fund, Education Fund and Transportation Fund revenues for fiscal year 2021 exceeded the prior consensus forecast update by $236.4 million or approximately 9.0%, and for fiscal year 2022, combined General Fund, Education Fund and Transportation Fund revenues exceeded the prior consensus forecast update by $225.8 million or approximately 7.8%. Fiscal year 2023 revenues also exceeded consensus expectations by $39.7 million or by 1.2% of the $3.271 billion consensus revenue forecast for the fiscal year. 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 May 2023. 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 push the State's economy forward for significant parts, if not all, of calendar years 2023 and 2024.

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 2022 (the most recent data available) show that Vermont's population increased by an estimated 92 persons between July 1, 2021 and July 1, 2022, representing a 0.01% rate of population growth. In comparison, the U.S. as a whole experienced an estimated 0.4% rate of increase in the nation's resident population, and the New England region experienced a 0.1% 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

[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.

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 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
1970–2022

	----------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]
2022	647	0.0%	15,130	0.1%	333,288	0.4%
2021	647	0.6	15,122	0.3	332,032	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	--

[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 2020-2022 is Vintage2022; data from 2010-2019 is Vintage2020.
[3] For 2011 through 2022, 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.
SOURCE: U.S. Department of Commerce, Bureau of the Census.

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 80.8% 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 2021 (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 (2021 American Community Survey).

Table 2
Educational Attainment Vermont and U.S.
Persons Aged 25 Years and Over
As of Calendar Year 2021

Level of Education	Percent of Vermont Population	Vermont Rank in U.S.	Percent of U.S. Population
HIGH SCHOOL:			
High School Graduate or More	94.5%	1st	89.4%
COLLEGE:			
Bachelor's Degree or More	44.4%	3rd	35.0%

SOURCE: U.S. Department of Commerce, Bureau of the Census; 2021 American Community Survey.

Data from the U.S. Bureau of the Census for 2019 (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 2022 (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 1997–2022 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 have 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 55.4% from its last cyclical price peak in the first quarter of calendar year 2008 through the fourth quarter of calendar year 2022. The Vermont house price increase as measured by the FHFA Index since the previous cyclical peak through the fourth quarter of calendar year 2022 ranked third highest in the New England region, after the States of Maine (up 68.6% since its last cyclical peak), and the State of New Hampshire (up 57.2% since its last cyclical peak). Over the past year through the fourth quarter of calendar year 2022, Vermont house prices as measured by the FHFA Index were up by 14.2%, ranking the State highest among the six New England states. During the upswing in house prices since the onset of the pandemic covering the two year period ended in the fourth quarter of 2022, the increase in the FHFA Index for Vermont ranked second among the New England states in the rate of house price increase for the period, increasing at 34.4%, trailing only the 37.6% increase for the State of Maine for the two year period, and increasing at a rate that was slightly ahead of the 34.2% two-year increase in the State of New Hampshire.

Table 4
Equalized Property Values
1990–2022

Equalization Date As of April 1,	Fair Market Value
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, and $3,018.4 million in 2022.

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

Economic Activity

The opinions set forth in this section are provided by 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 Economic & Policy Resources, Inc. ("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 economic forecasts and revenue estimates contained in this Official Statement were updated as of July 31, 2023, during the occurrence of the flooding, mudslides, water runoff, erosion and resulting damage that impacted the State in July 2023 (the "July 2023 Flooding") but before complete information on the impacts of the July 2023 Flooding and continuing rainfall were known. See "STATE ECONOMY – Economic Activity – Impact of the July 2023 Flooding" below. The full impact on the economic forecasts and revenue estimates in this Official Statement as a result of the July 2023 Flooding is still being determined, and therefore such forecasts and estimates remain subject to change as decisions regarding recovery relief and funding are made and additional facts as to aggregate total damage and costs become known.

The U.S. Economic Situation: The State's most recent updated consensus economic and revenue forecast was completed in a national economic environment that in contending with the recent macroeconomic tension between still extraordinary, expansionary aspects of federal fiscal policy (although those effects have recently begun to recede) and the conflicting historic, highly contractionary period of federal monetary policy that began in Spring 2022 as the inflation rate rose significantly. Although the pandemic, and the extraordinary public health measures designed to address it, are no longer a dominant factor in economic and business activity, the pandemic's legacy effects will continue to influence global, national, and State economic activity throughout the fiscal year 2024 through 2026 period. As a result, the pandemic and its legacy effects remain an important consideration, if not still a potential threat, to the continuation of the national and State economic upturns. By implication, the pandemic and its legacy effects also therefore remain material considerations in the State's revenue outlook and forecast as outlined in the recently completed July 2023 consensus forecast update for fiscal years 2024 through 2026 (see below).

Despite the declining impact of COVID-19 on the economy relative to the earlier stages of the pandemic, the persistence of the virus as an ongoing issue has had significant, lasting effects on State economic and revenue developments. These legacy effects of the virus 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) still on-going supply chain issues (though they have lessened significantly) linked to wide variations in pandemic management health practices throughout the globe (and especially in China), (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 tools to reduce the economy's inflationary pressures.

More specifically, the sustainability of the current national and State economic upturns remain in question for the most part because of the rapid pace of the Federal Reserve short-term interest rate increases (which has included a historically rapid escalation in the federal funds interest rate to more than 5% and increases during 11 of the last 12 meetings of the Federal Reserve's Federal Open Market Committee) since Spring 2022 as the run up in the U.S. inflation rate proved to be more than a transitory phenomenon. The Federal Reserve has also undertaken a series of steps to reduce its balance sheet holdings of long-term securities popularly known as "quantitative tightening" over approximately the same time frame that it has been increasing short-term interest rates. Recent published statements made by the current Chair of the Federal Reserve and other monetary policy observers indicate that the overarching objective of the Federal Reserve's tightening posture is to slow the U.S. economy and relieve the economy's current inflationary pressures without causing a general economic downturn. These measures have been implanted as part of the Federal Reserve's on-going, stated objective of substantially slowing the pace of the forward momentum of economic activity in the U.S. economy so as to better align the recently elevated levels of aggregate demand in the aftermath of the unprecedented levels of federal pandemic financial aid-assistance with the economy's long-term supply and thereby reduce inflationary pressures back to the Federal Reserve's long-term target of 2% over the longer run.[4]

Achieving this so-called "soft landing" for the economy has proven to be difficult to attain primarily because of the long and complex time lags between when tightening measures are undertaken and when exactly those measures actually have had their intended inflation-reducing effects. In addition, the Federal Reserve's arsenal of largely demand-side oriented tools have also proven to be ineffective in addressing any underlying supply-side causes of inflation. Moreover, those demand side tools will likely have little to no effect on the outcome of the war in Ukraine, which has adversely impacted the global supply of energy and food commodities to the detriment of the prices of those and other key commodities impacted by ongoing military hostilities. Among the ranks of the "soft-landing" skeptics for the U.S. economy was the majority of more than 70 regularly surveyed economists in the Wall Street Journal's quarterly economic survey, who believe the U.S. economy is likely to fall into a recession sometime within the twelve-month period from July 2023 through June 2024 (at 54% as of the July 2023 survey). The July 2023 through June 2024 period corresponds to the State's 2024 fiscal year.

In addition to the mixed historical record for achieving a "soft landing" for the economy generally, there are several additional counterweights to the Federal Reserve's tightening policies. First is 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 has included 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 payments—some of which are still ongoing), and the provision of direct federal financial assistance to the states, counties, and municipalities (e.g., CARES Act, COVID Relief Act and ARP). 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 (Public Law 117-167; which provided funds to support the domestic production of semiconductors and to support science programs) and the Inflation Reduction Act (Public Law 117-169; which included federal funding for broadband expansion and renewable energy projects). Although much of the federal spending support measures have been expended, significant amounts of authorized, and in many cases already appropriated, federal spending remain unspent, and are likely to be rolled out over the next several years.

[4] See https://www.federalreserve.gov/monetarypolicy/files/fomcminutes20230614, Page 9.

The above-described significant and ongoing federal funding support has also been accompanied by the ongoing resiliency of U.S. labor markets and the recent healthy readings on the financial condition of households and businesses. Taken together, these recent fiscal policy measures and the healthy financial state of households and businesses indicate that there is still financial capacity left to fuel the economy's forward momentum. In fact, the historically high rates of household savings in the last two years, increases in household wealth and net worth (as asset prices such as housing have increased), and healthy levels of accumulated profits on corporate balance sheets (as corporate pricing power has been revived concurrently with the recent increase in the inflation rate) have until recently largely frustrated the Federal Reserve's tightening efforts designed to rein in the economy's inflationary pressures. As noted above, the Federal Reserve's record of slowing the economy just enough to rein in higher than desired inflation rates without causing a recession is mixed, and the possibility that the Federal Reserve will go too far in its inflation-fighting efforts, in light of the presence of these counterweights, remains as a significant source of risk going forward as the State moves into its 2024 fiscal year and beyond.

The Vermont Situation: The State has continued to recover from the harsh, pandemic-induced economic and labor market downturn that began in early calendar year 2020. Through May 2023, the path of the State's economic and labor market recovery has been uneven and has progressed at a slow pace. That profile reflects the particulars of the State's underlying demographic dynamics and the longer-term, legacy effects of the COVID-19 pandemic, which have continued to evolve. One of the lingering effects of the pandemic has been reduced labor force participation as the health risks associated with the pandemic encouraged an initial round of early retirements—particularly in the State's more vulnerable, higher age population cohorts. Another of the pandemic's key effects includes a greater acceptance of remote work and/or hybrid work arrangements. That increased ability to work remotely has resulted, at least initially, in reduced levels of local commuter traffic and associated business activity in and around the State's employment centers. On the other hand, the greater acceptance of remote work has also resulted in recent favorable impacts on population in-migration rates in Vermont, as workers have relocated to Vermont from more densely populated residential centers as they seek out less expensive and less-congested locations from which to telecommute to their jobs.

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 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 federal pandemic assistance to the State and the northeastern U.S. region. On the downside, there have been some limitations in certain areas of State revenue activity associated with the recent pandemic-based supply bottlenecks. State revenue categories that have been somewhat limited by those supply issues include receipts in the Motor Vehicle Purchase and Use Tax and the State's other major consumption taxes such as the Sales and Use Tax. The recent softness in the State's Sales and Use tax receipts during fiscal year 2023 appears tied to demand shifts away from the pandemic-induced boom in e-commerce sales activity for goods and back to greater levels of services consumption. See "RECENT GENERAL FUND, TRANSPORTATION FUND AND EDUCATION FUND OPERATING RESULTS – Fiscal Year 2023."

Through mid-calendar year 2023, 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 Health Care and Education services sectors. In contrast, job bases in the Professional Services and in other services-producing sectors have expanded. The pace of job additions in the Construction sector also remains slow, despite the increased amount of federal infrastructure dollars, significant monies to fund broadband expansion and housing, and additional funding to support increased investment in alternative energy projects, in part due to the decline in the construction trades dating back to the "Great Recession" and workforce constraints due to the pandemic. This apparent trend is likely to continue over 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 May 2023 (the latest month where reliable U.S. and state labor market data are available), comparative state-by-state labor market data indicate that there were roughly 6,100 fewer employed State residents as compared to the State's pre-recession peak in December 2019, and the State's labor markets as of May 2023 had an estimated 7,300 fewer nonfarm payroll jobs

as compared to February 2020. Although the State has made substantial recovery progress in its labor markets since its April 2020 seasonally adjusted nonfarm payroll job count low (with 59,900 jobs recovered to date), the State still has approximately 10.9% of the nonfarm payroll jobs lost during the pandemic-induced downturn left to recover. Given this record, as of May 2023, Vermont remained one of three states in the New England region with nonfarm payroll jobs left to recover, along with Connecticut (at 6,000 nonfarm payroll jobs left to recover) and Rhode Island (at 13,000 nonfarm payroll jobs left to recover).

It is important to note, however, that Vermont's less than the national and regional average pace of its 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 April 2023 showed that there were a total of 21,000 available jobs in Vermont, totaling 2.5 available job opportunities for every available unemployed worker in Vermont. That level of available jobs per unemployed worker was significantly above the 2.0 jobs available for every unemployed U.S. worker during April and is reflected by the relative improvement from the 3.3 jobs available per unemployed worker reading in Vermont during the May 2022 through October 2022 time frame using that same JOLTS data. That improvement appears tied to data from the State's Household employment survey, which shows that Vermont has been able to add back roughly two-thirds (or 67.2%) of the total pandemic-induced labor force downturn experienced between the end of calendar year 2019 and November 2020. Through May 2023, the cumulative 21,618 decline in the State's work force from November 2019 to November 2020 has been reduced to just under 7,100, along with a corresponding three-year increase of nearly 35,250 employed Vermont residents since April 2020. Although the total number of employed Vermont residents is still roughly 6,100 below the January 2020 pre-pandemic reading, the State is making progress on its labor market recovery with available jobs for any worker wishing to participate in the labor force.

The above labor market dynamics are also evident within the very low current status of the State's seasonally adjusted unemployment rate, which as of May 2023 was 2.1%. That top-line unemployment rate was the second lowest unemployment rate in the New England region (after New Hampshire) and was also tied for the second lowest rate of unemployment in the U.S. as a whole (along with North Dakota). This rate also was just 0.2% above Vermont's historical all-time unemployment rate low of 1.9%, 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 1.8% below its pre-pandemic job count total as of May 2023, somewhat below the 0.2% increase in nonfarm payroll jobs for the New England region as a whole and significantly below the 2.5% increase in nonfarm payroll jobs for the nation as a whole, in each case compared to February 2020. Three other states (Maine, Massachusetts, and New Hampshire) have fully recovered their respective pandemic-induced payroll job losses, and as of May 2023 had nonfarm payroll job counts that were slightly above their respective pre-pandemic, nonfarm payroll job count level in early calendar year 2020—at 1.0%, 0.4%, and 1.5% higher, respectively. Rhode Island and Connecticut both still remain below their respective pre-pandemic job count highs, at 2.3% below and 0.8% below, respectively.

The latest comparative year-over-year, state-by-state job change data on the State's labor market performance through May 2023 shows that the State remains in the bottom one third of the New England states and in the bottom ten states nationally in terms of its year-over-year job change ranking with a 0.6% year-over-year job gain in both total nonfarm payroll jobs and total private sector payroll jobs. That performance ranked Vermont 5th among the six New England states and 48th among the 50 states for the U.S. as a whole. The most recent State job statistics by major industry sector on a year-over-year basis over the past year[5] show Vermont has gained nonfarm payroll jobs over the past year in eight of its nine NAICS[6] supersectors (Vermont lost jobs year-over-year in the Manufacturing sector), similar to New Hampshire—where jobs also increased year-over-year in eight of nine NAICS supersectors (New Hampshire lost jobs year-over-year in the Information sector). Connecticut over the same period lost jobs year-over-year in two of nine NAICS supersectors (in the Construction and Financial Activities sectors), with Rhode Island losing jobs year-over-year in in five of nine NAICS supersectors. Maine and Massachusetts both gained jobs year-over-year in all nine NAICS supersectors.

The best year-over year payroll job performance for Vermont occurred in the Information supersector where the State gained jobs at the rate of 2.3% year-over-year, ranking the State 1st in the New England region and

[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.

11th nationally. The worst performing NAICS supersector in Vermont over the past year was the Manufacturing sector with a decline of 2.3% year-over-year, ranking Vermont 6th in New England and 48th nationally. Year-over-year job gains were notably positive in the Professional and Business Services sector (with an increase of 3.4% over the past year, which ranked the State 3rd in the New England region and 9th among the 50 states), and in the Leisure and Hospitality sector (with an increase of 2.6% over the past year, which ranked the State 3rd in the New England region and 39th among the 50 states).

Other notable year-over-year performances for the State were the 0.6% year-over-year increase in Trade, Transportation, and Utilities jobs (which ranked the State 4th in New England and 28th nationally), the 0.5% year-over-year increase in Education and Health Services jobs (which ranked the State 5th in New England and 31st nationally), and the flat (0.0%) year-over-year job change in Construction sector jobs (which ranked the State 5th in New England and 42nd nationally). The State believes that the flat year-over-year change in the Construction sector is contrary to the strong level of recent construction activity as indicated by other data (e.g. construction permit data and the relatively robust 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 project underway in downtown Burlington). To the extent the year-over-year job change statistics reported above continue to reflect survey issues in the U.S. Department of Labor's survey of establishment job counts at the State's businesses, the potential under-counting of jobs that may be underway in the State's Construction sector may be corrected when these data are trued up to Quarterly Census of Employment and Wage establishment job counts as part of the re-benchmarking process in Spring 2024.

Impact of the July 2023 Flooding: Near-term economic prospects in the State may be impacted by the effects of the July 2023 Flooding that was caused by heavy rain and record flooding not seen since the State was hit by Tropical Storm Irene in August 2011. In early July 2023, the State experienced a series of rain and resultant flooding events, including a storm in the Killington, Vermont area on July 7, statewide storms occurring during July 9-11 and continuing rainfall events which have 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. The Governor's emergency declaration mobilized the State's Emergency Operations Center ("SEOC"), activated the National Guard and facilitated a coordinated response from multiple Emergency Management Assistance Compact states for Urban Search and Rescue Team (USAR) swiftwater rescue efforts. On July 10, the President of the United States declared that an emergency existed in the State. Once it became clear flood damage and mudslides from the July 7 storm in the Killington area and the excessive rain, flooding, water runoff, erosion and resulting damages statewide from the July 9-11 storms were not going to be isolated incidents but rather part of series of events that would be ongoing statewide, with widespread flooding, repeated flash flooding, water runoff, erosion, mudslides and landslides due to inundated soils and slope instability, the Governor requested, and on July 14, the President granted, a Declaration of a Major Disaster for the period July 7, 2023 and continuing (the "Disaster Declaration"). As of the date of this Official Statement, FEMA has determined the incident period end date to be July 17, 2023. The State has asked FEMA for reconsideration of an incident period extending through August 8, 2023.

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. Recently, the Counties of Washington, Lamoille and Windsor were approved for the Direct Housing Assistance. FEMA has supported the State since the beginning of the disaster. Nine FEMA/State Disaster Recovery Centers continue to serve flood victims across the nine declared FEMA Individual Assistance counties. As of August 23, 2023, FEMA has received 5,126 valid Individual Assistance registrations; FEMA anticipates this number could climb to over 6,000. With 94% of inspections complete, Individual Assistance recoveries as of August 23 total over $14 million. 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 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. As of August 23, 149 roads (totaling 285 miles) had been reopened, with only three State roads (totaling 12 miles) and five roads (totaling 1 mile) partially closed; and all rail reopened. Twenty State office buildings were damaged during the July 2023 Flooding, 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. As of August 23, 15 State office buildings remained completely closed. Full cost estimates for the damage to these State-owned buildings is not yet available as of the date of this Official Statement; 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. As of August 22, almost 6,000 tons of debris had been removed.

The July 2023 Flooding will also have significant impacts on Vermont's farmers and agricultural producers. It is anticipated the excessive flooding and related silt and other contamination will destroy large shares of the State's produce and livestock feed. Moreover, as Vermont's growing season is short, many crops cannot be replanted, and losses will not be effectively recovered or mitigated prior to the early fall harvest. On July 14, the Governor requested a Secretarial Disaster Designation for the State from the Secretary of the U.S. Department of Agriculture.

As discussed under "RECENT GENERAL FUND, TRANSPORTATION FUND AND EDUCATION FUND OPERATING RESULTS – Fiscal Year 2024 Budget" herein, the Governor initiated, and on July 31, the Emergency Board approved, a $20 million Business Emergency Gap Assistance Grant Program to provide rapid grant funding to assist those businesses and not-for-profit entities that sustained physical damage with reopening after the floods. In addition, the Emergency Board approved a $10 million program to provide financial assistance to low-income Vermont households with replacement of flood-damaged or -destroyed appliances. The Governor has also requested Vermont's federal delegation to procure supplemental disaster relief funding needed to sustain Vermont's households and businesses and maintain the vitality of damaged rural communities.

Despite the recovery efforts to date, the longer-term impacts of the July 2023 Flooding are yet to be fully defined. 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 will closely monitor the performance of revenues as the first half of fiscal year 2024 progresses to gauge potential near-term and long-term economic and State revenue performance implications of the July 2023 Storm and their associated impacts. Any apparent negative or positive impacts on State revenues will be systematically considered and incorporated into the next consensus revenue forecast update, scheduled for January 2024.

The Moody's Analytics National Economic Forecast Assumptions: The economic outlook for Vermont for the calendar year 2023 through calendar year 2026 period is based on a comprehensive national economic outlook as of June 2023 assembled 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 June 2023 through July 2023 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 the calendar year 2023 through 2026 forecast update period and will likely avoid an economic downturn. This is expected even though the U.S. inflation rate is likely to remain at higher levels for a longer period of time than many analysts' inflation forecasts currently predict. The pace of economic activity is expected to be supported by the back end of the unexpended federal fiscal pandemic relief-assistance still in the pipeline over the forecast period, the multitude of additional federal spending initiatives associated with federally-funded infrastructure projects, the increased federal spending associated with the re-shoring of U.S. semiconductor chip manufacturing capacity, and the accelerated development of alternative energy projects as contemplated in recently-passed federal legislation from the 117th Congress. With these offsetting factors in mind, the pace of the expansion is expected to slow towards during the second half of calendar year 2023 (or during the first half of fiscal year 2024) and then settle in to a close to average rate of change during the last two and one half years of the forecast update timeframe.

This updated consensus economic forecast also expects that as the impacts associated with the Federal Reserve's fast and robust tightening successfully and sufficiently slows the economy, inflationary price pressures will ease, as will the need for further tightening moves. 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, including slower inflation-adjusted output growth and nonfarm payroll job growth. The forecast also reflects an expected further diminishment in the economic impact of additional COVID-19 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 1.5% in calendar year 2023, after the 2.1% 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 1.3% 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 2.5% and 2.7% per year, respectively, as U.S. output growth regains its footing following the Fed's policy tightening efforts.

The Moody's Analytics national outlook (as adjusted) for U.S. labor markets includes an annual average increase in payroll jobs of 2.2% 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, 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 over 4.0% for the calendar year 2024 through 2026 timeframe, following the annual average rate of 3.8% for calendar year 2023. That represents a significant improvement over the 8.1% annual average national unemployment rate reading for calendar year 2020.

Consumer prices, as measured by the Consumer Price Index ("CPI"), 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 4.3% 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 3.1% 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 2.0% to 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, however, 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 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 5.7% by calendar year 2026, or just under 0.5 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 also is 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 moving beyond the third anniversary of the onset of the pandemic, and the current tug-of-war between the still largely expansionary posture of federal fiscal policy and the contractionary effects of the Federal Reserve's rapid increase in short-term interest rates and its qualitative tightening measures designed to slow the economy and relieve increased price pressures. So far, the economically stimulative effects of federal fiscal policy have carried the economy forward in Vermont, although the State's economic outlook, like the U.S. economic outlook (see above), carries with it an unusual level of uncertainty regarding the current economic upturn's durability. The risks of a full-fledged economic downturn remain in the current monetary policy tightening environment. The risk of a downturn is particularly significant for fiscal year 2024, although the risk of a downturn happening later and spilling over into fiscal year 2025 are not insignificant. The baseline forecast for the Vermont economy—like the adjusted national economic forecast—is for no recession in fiscal years 2024 or 2025, although

there is expected to be a significant slowing in State economic activity during the current fiscal year and potentially for at least 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 calendar year 2023 through 2026 period. 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. 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 given the State's higher level of dependance on virus-sensitive services sectors like the travel and tourism sector (where the nonfarm payroll jobs are primarily a part of the Leisure and Hospitality 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 reflect an initially weaker (for calendar years 2023 and 2024), but then somewhat stronger 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 along with new infrastructure monies (including federal support for the expansion of broadband throughout the State), and other federal financial support for the re-shoring of U.S. semiconductor chip manufacturing and federal monies that are to be potentially invested in Vermont renewable energy projects. Combined with the potential for additional federal disaster relief monies to help the State recover from the July 2023 Flooding, these federal monies are likely to provide some upside support to economic activity to help offset the activity-restraining effects of still tightening federal monetary policy measures that will likely remain in effect for 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 1.6% increase in inflation-adjusted output for all of calendar year 2023 (following the 2.9% decline in calendar year 2020, the 5.1% increase in calendar year 2021 as the recovery got underway, and the 2.8% increase for calendar year 2022). That performance is to be followed by 1.2% increase in calendar year 2024, a 2.1% increase in 2025, and a 2.5% increase for inflation-adjusted output in calendar year 2026. The rate of inflation-adjusted output increase in calendar year 2023 is expected to exceed the U.S. average after a mixed annual rate of change performance by this macroeconomic variable over the past ten years, including a lower than U.S. average annual change performance in four of the last five years in part due to the pandemic. The average annual rate of nonfarm payroll job change over the forecast period is expected to be 1.9% in calendar year 2023, 0.8% in calendar year 2024, 1.1% in calendar year 2025, and 0.8% in calendar year 2026, matching or exceeding the U.S. averages in three of the four upcoming forecasted calendar years.[7] 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 5.6%, 5.2%, 4.5%, and 4.4%, respectively. These rates of increase are expected following the estimated 6.0% increase in nominal dollar personal income for calendar year 2019, and the 7.1%, 4.9%, and 2.4% 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, which has pushed median housing prices to new cyclical highs. At the same time, the lack of any substantial over-building response has slowed the timing of the pending price correction, pushing the expected decline in State housing prices out to calendar year 2025—a year behind the expected national average housing price correction that is expected to begin in calendar year 2024 and last through calendar year 2025. For Vermont, the two-year housing price correction time frame is not expected to start until calendar year 2025 and last through calendar year 2026 on an average annual basis. The near-term housing price forecast is for Vermont to experience another positive, but more moderate housing price increase of 6.7% in calendar year 2023, compared to an annual average housing price increase of 4.9% for the nation as a whole. House

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

prices are expected to flatten in Vermont during calendar year 2024, registering a 0.3% annual average increase in comparison to the expected 1.3% annual average decline nationally. House prices then bottom out nationally in calendar year 2025, registering a further 2.1% decline versus calendar year 2025, as Vermont's average house price is expected to decline by 1.4%. For calendar year 2026, house prices in Vermont are then expected to experience their second year of decline, posting an annual average rate of decline of 0.3% that year, in comparison to the flat, but still positive, 0.4% increase for house prices for the nation as a whole using the FHFA housing price index over the period. House prices for both the State and U.S. are expected to post average annual price increases beyond calendar year 2026 as a new upswing in housing prices commences for housing prices.

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 July 2023. This updated consensus forecast of the U.S. and Vermont economies was used for the July 2023 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.

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	2.9	2.3	(2.8)	5.9	2.1	1.5	1.3	2.5	2.7
Vermont Gross State Product	0.4	1.1	(2.9)	5.1	2.8	1.6	1.2	2.1	2.5
Non-Farm Employment (% Change)									
U.S.	1.6	1.3	(5.8)	2.9	4.3	2.2	0.9	0.7	0.7
Vermont	0.3	0.1	(9.3)	2.7	3.0	1.9	0.8	1.1	0.8
Unemployment (%)									
U.S.	3.9	3.7	8.1	5.4	3.6	3.8	4.3	4.5	4.4
Vermont	2.5	2.1	5.7	3.7	2.6	2.7	3.1	3.2	3.3
FHFA Home Prices (% Change) (Current Dollars)									
U.S.	5.5	4.6	5.2	13.7	17.0	4.9	(1.3)	(2.1)	0.4
Vermont	3.0	3.7	5.1	14.0	18.2	6.7	0.3	(1.4)	(0.3)

[1] 2021 and 2022 variables are subject to further revision, and 2023 through 2026 values in this table reflect projected data as of July 2023. 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.

Sources: Moody's Analytics (U.S.) June 2023 Control Forecast (as adjusted as of July 31, 2023); the July 2023 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 generally mirror the U.S. average. Vermont's inflation-adjusted output and nonfarm payroll job growth are forecast to increase over the entire forecast period. The consensus economic forecast expects that there will be no general economic downturn during the forecast period

despite the Federal Reserve's ongoing tightening monetary policy posture. The Federal Reserve's tightening efforts are expected to successfully slow the economy during the second half of calendar year 2023 (and beyond) to bring the economy's "above trend" price pressures down as aggregate demand and supply come back into better alignment. Throughout the forecast time frame, it is expected that the State's recovery will strengthen, following the calendar year 2023 and 2024 slowdown, 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 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. The mid-year 2022 population data showed that net population in-migration into the State was flat (at less than 100 net in-migrants) but still positive, raising the possibility that the factors that underpinned the prior in-migration increases have been scaled back. In addition, it remains equally unclear whether the recently more permissive attitudes toward remote work will regress in the post-pandemic period. On the other side of the in-migration ledger, however, 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 era.

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 2022 where relevant and available, are also included to present data related to the most recent period of economic recovery-expansion.

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

	May 2023	April 2023	May 2022	Change From Last Year
Vermont	2.1%	2.4%	2.2%	(0.1)%
Connecticut	3.7	3.8	4.1	(0.4)
Maine	2.4	2.4	2.6	(0.2)
Massachusetts	2.8	3.1	3.7	(0.9)
New Hampshire	1.9	2.1	2.2	(0.3)
New Jersey	3.6	3.5	3.6	0.0
New York	3.9	4.0	4.1	(0.2)
Rhode Island	3.0	3.0	3.0	0.0
United States	3.7	3.4	3.6	0.1

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 % 2016	Annual Average % 2017	Annual Average % 2018	Annual Average % 2019	Annual Average % 2020	Annual Average % 2021	Annual Average % 2022
Connecticut							
Bridgeport, Stamford, Norwalk	4.8	4.4	3.9	3.6	8.1	6.3	4.2
Danbury	4.0	3.7	3.3	3.1	7.2	5.4	3.7
Hartford-W. Hartford-E. Hartford	4.9	4.4	3.9	3.6	7.8	6.3	4.2
New Haven	4.8	4.4	3.8	3.5	7.3	5.9	3.9
Norwich-New London	5.0	4.3	3.8	3.5	9.9	6.8	4.2
Waterbury	6.0	5.5	4.8	4.5	9.2	7.7	5.0
Maine							
Bangor	3.8	3.5	3.2	2.9	4.8	4.4	2.8
Lewiston-Auburn	3.6	3.2	3.1	2.9	5.0	4.8	3.0
Portland-South Portland	3.0	2.7	2.6	2.4	5.0	4.1	2.5
Massachusetts							
Barnstable Town	4.8	4.6	4.2	3.8	10.6	6.3	4.5
Boston-Cambridge-Newton	3.6	3.5	3.1	2.7	8.9	5.1	3.4
Leominster-Gardner	4.8	4.4	4.0	3.6	10.4	6.4	4.4
New Bedford	6.0	5.8	5.3	4.6	11.8	7.1	5.4
Pittsfield	4.7	4.6	4.4	3.9	10.5	6.8	4.5
Springfield	4.9	4.6	4.2	3.8	9.5	6.3	4.4
Worcester	4.3	4.0	3.7	3.3	8.9	5.6	3.9
New Hampshire							
Dover-Durham	2.6	2.5	2.4	2.4	6.1	3.3	2.3
Manchester	2.8	2.7	2.5	2.4	6.7	3.3	2.4
Portsmouth	2.6	2.5	2.4	2.3	5.8	3.2	2.2
Rhode Island							
Providence-Warwick	5.1	4.5	4.1	3.6	9.4	5.6	3.5
Vermont							
Burlington-South Burlington	2.5	2.4	2.0	1.7	4.8	3.2	2.2

Note: Data for Labor Market Areas are subject to sporadic revisions, depending on the state.
Furthermore, these areas are also 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 2022 Annual Average (000s)	Annual Percent Change in Non-farm Jobs 2019–2020	Annual Percent Change in Non-farm Jobs 2020–2022
Connecticut					
Bridgeport-Stamford-Norwalk	406.9	371.8	399.9	(8.6)%	3.7%
Danbury	77.7	71.5	76.1	(8.0)	3.2
Hartford-W. Hartford-E. Hartford	587.0	548.5	571.1	(6.6)	2.0
New Haven	292.1	278.3	297.5	(4.7)	3.4
Norwich-New London-Westerly	129.8	114.0	122.9	(12.2)	3.8
Waterbury	69.0	63.0	66.0	(8.7)	2.4
Maine					
Bangor	68.1	64.0	68.0	(6.0)	3.1
Lewiston-Auburn	51.4	49.1	49.5	(4.5)	0.4
Portland-South Portland	213.1	198.7	212.5	(6.8)	3.4
Massachusetts					
Barnstable Town	107.1	94.9	104.1	(11.4)	4.7
Boston-Cambridge-Nashua	2823.1	2590.8	2776.2	(8.2)	3.5
Leominster-Gardner	53.6	48.8	51.8	(9.0)	3.0
New Bedford	67.5	61.4	66.0	(9.0)	3.7
Pittsfield	41.1	36.7	39.1	(10.7)	3.2
Springfield	340.6	311.6	332.7	(8.5)	3.3
Worcester	290.3	269.8	291.3	(7.1)	3.9
New Hampshire					
Dover-Durham	54.5	50.7	53.1	(7.0)	2.3
Manchester	117.1	108.2	113.1	(7.6)	2.2
Portsmouth	94.5	88.9	93.7	(5.9)	2.7
Rhode Island					
Providence-Warwick	599.8	549.6	592.8	(8.4)	3.9
Vermont					
Burlington-South Burlington	126.5	116.0	122.5	(8.3)	2.8

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 pre-pandemic calendar year 2020 to 2022 period (calendar year 2022 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 pre- and post-pandemic 2019-2021 calendar year period for Vermont and 2021 for the U.S. economy.

The full-time and part-time jobs data ending in calendar year 2021 show that Health Care and Social Assistance remains one of the State's most important sectors, representing an estimated 13.6% of total employment in 2021 versus 11.4% of employment for the U.S. in calendar year 2021. Other important parts of Vermont's economic base include: Retail Trade at 10.6% of calendar year 2021 total employment versus 9.5% of employment for the U.S. as a whole in calendar year 2021; Accommodations and Food Services at 7.0% of the calendar year 2021 total employment versus 6.7 % of employment for the U.S. as a whole in calendar year 2021; Manufacturing at 7.7% of the calendar year 2021 total employment versus 6.5% of employment for the U.S. as a whole in calendar year 2021; Construction at 7.0% of calendar year 2021 total employment versus the U.S. average of 5.8% in calendar year 2021; and Private Education Services at 4.2% of total employment versus the U.S. average of 2.3% in calendar year 2021.

Earnings data over the calendar year 2020 to 2022 period show some shifts as the State and nation recover from the pandemic. The share of earnings in the Manufacturing sector decreased (by 0.5 percentage point) to 9.5% of total earnings in calendar year 2022 compared to 10.0% of total earnings in calendar years 2020. The share of Health Care and Social Assistance earnings decreased to 14.5% of total earnings in calendar year 2022 from 14.9% in calendar year 2021 and 15.4% in calendar year 2020. The share of Professional and Technical Services earnings increased to 9.8% of the total earnings in calendar year 2022 from 9.4% in calendar year 2021 and 8.8% in calendar year 2020. Of the other important parts of Vermont's economic base, the share of Construction earnings was 7.0% of total earnings in calendar year 2022 (fluctuating from 7.1% of total earnings in calendar year 2021 and 6.9% in calendar year 2020); the share of earnings in the Retail Trade sector was at 7.1% in calendar year 2022, down slightly from 7.2% in calendar years 2021 and 2020; the share of earnings for the Accommodations and Food Services sector in calendar year 2022 increased to 5.6% of total earnings (versus 4.1% of total earnings in calendar year 2020); and Administrative and Waste Services increased to 4.3% of total earnings in calendar year 2022 compared to 3.8% in calendar year 2021 and 3.5% in calendar year 2020.

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
2020-2022
($Thousands)

	2020		2021		2022	
	Total Earnings	Percent of Total	Total Earnings	Percent of Total	Total Earnings	Percent of Total
Farm:	$198,743	0.9%	$182,316	0.7%	$296,482	1.1%
Non-Farm Industry:						
Construction	1,582,301	6.9	1,734,923	7.1	1,881,092	7.0
Forestry, Fishing and Other Related Activities	87,751	0.4	81,876	0.3	83,352	0.3
Mining	53,585	0.2	55,596	0.2	62,459	0.2
Utilities	250,275	1.1	245,379	1.1	245,928	0.9
Manufacturing	2,309,346	10.0	2,372,024	9.7	2,549,858	9.5
Wholesale Trade	793,248	3.4	814,918	3.3	922,775	3.5
Retail Trade	1,665,016	7.2	1,777,923	7.2	1,885,603	7.1
Information	370,788	1.6	408,113	1.7	487,925	1.8
Financial Activities	1,093,442	4.7	1,150,671	4.7	1,242,003	4.6
Real Estate and Rental and Leasing	481,269	2.1	516,961	2.1	522,068	2.0
Transportation and Warehousing	451,871	2.0	486,227	2.0	482,989	1.8
Management of Companies and Enterprises	284,647	1.2	313,158	1.3	318,841	1.2
Professional, Scientific and Technical Services	2,035,350	8.8	2,302,971	9.4	2,612,623	9.8
Private Education Services	766,592	3.3	768,324	3.1	837,498	3.1
Health Care and Social Assistance	3,546,107	15.4	3,662,878	14.9	3,876,863	14.5
Arts, Entertainment, and Recreation	236,078	1.0	289,981	1.2	346,372	1.3
Accommodations and Food Services	948,563	4.1	1,218,200	5.0	1,500,527	5.6
Administrative and Waste Services	796,911	3.5	922,650	3.8	1,152,564	4.3
Other Private Services-Providing	832,233	3.6	867,445	3.5	948,515	3.6
Total Private Non-Farm Industries	$18,585,373	80.5%	$19,990,218	81.5%	$21,959,855	82.2%
Government and Government Enterprises	$4,314,648	18.7%	$4,367,341	17.8%	$4,455,765	16.7%
Total Farm and Non-Farm Earnings	$23,098,764	100.0%	$24,539875	100.0%	$26,712,102	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
2019-2021

	2019		2020		2021		U.S. 2021	
	Jobs	Percent of Total	Jobs	Percent of Total	Jobs	Percent of Total	Jobs	Percent of Total
Farm	9,316	2.1%	9,182	2.2%	9,255	2.2%	2,588,000	1.3%
Non-Farm Industry:								
Construction	28,123	6.5	27,883	6.8	29,344	7.0	11,673,300	5.8
Forestry, Fishing, & Other Related Activities	3,360	0.8	3,415	0.8	3,397	0.8	927,600	0.5
Mining	993	0.2	1,069	0.3	1,050	0.2	923,600	0.5
Manufacturing	33,609	7.8	31,722	7.7	32,153	7.7	13,081,600	6.5
Wholesale Trade	10,337	2.4	9,967	2.4	9,871	2.3	6,309,900	3.1
Retail Trade	45,323	10.5	43,039	10.5	44,508	10.6	19,120,800	9.5
Information	5,745	1.3	5,425	1.3	5,427	1.3	3,414,000	1.7
Financial Activities	14,080	3.2	15,005	3.7	15,039	3.6	11,721,200	5.8
Transportation, Warehousing & Utilities	11,193	2.6	10,861	2.7	11,304	2.7	11,001,900	5.5
Management of Companies and Enterprises	2,275	0.5	2,378	0.6	2,376	0.6	2,754,000	1.4
Real Estate and Rental and Leasing	15,724	3.6	17,027	4.2	17,568	4.2	10,100,700	5.0
Professional and Technical Services	27,816	6.4	28,135	6.9	29,058	6.9	14,812,500	7.4
Private Education Services	18,548	4.3	16,891	4.1	17,621	4.2	4,684,400	2.3
Health Care and Social Assistance	59,937	13.8	57,045	13.9	57,340	13.6	22,880,500	11.4
Arts, Entertainment, and Recreation	11,943	2.8	10,625	2.6	11,314	2.7	4,157,100	2.1
Accommodations and Food Services	36,291	8.4	26,204	6.4	29,413	7.0	13,554,000	6.7
Administrative and Waste Services	19,192	4.4	18,202	4.4	19,019	4.5	12,426,500	6.2
Other Services, except public administration	22,155	5.1	20,266	5.0	20,495	4.9	10,963,000	5.5
Total Private Sector Non-Farm	366,644	84.6%	345,159	84.3%	356,297	84.8%	174,506,600	86.8%
Government	57,642	13.3%	55,049	13.4%	54,736	13.0%	24,048,000	12.0%
Total Jobs	433,602	100.0%	409,390	100.0%	420,288	100.0%	201,142,600	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 January 2023 edition of Vermont Business Magazine, the State's four largest private sector employers in calendar year 2022 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 2,500 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.

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 2023. 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

The following two tables 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 2022 period (with calendar year 2022 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 2022, 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 $29,014 or 97.2% of the U.S. average of $30,672. By calendar year 2022, Vermont's per capita personal income had risen to $63,206 or 96.6% of the U.S. average of $65,423. Vermont's per capita personal income increased by 2.4% in calendar year 2022, which was slightly greater than the New England regional average increase of 1.9% and the national average increase of 2.0% in calendar year 2022. These same data show that Vermont's change in per capita personal income for calendar year 2022 ranked 2nd among the six New England states for that same period (ranging from Connecticut which experienced the largest increase at 2.5% to Massachusetts which experienced the lowest increase at 1.6%).

Table 11
Growth in Nominal Dollar Total Personal Income for
Vermont, New England and United States
Calendar Years 2000-2022
($ 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
2022	$40,898	2.4%	$1,200,162	2.0%	$21,804,788	2.4%
2021	39,949	4.9	1,177,024	6.4	21,288,709	7.5
2020	38,098	7.1	1,105,999	6.3	19,812,171	6.7
2019	35,585	6.0	1,040,547	5.1	18,575,467	5.1
2018	33,577	3.5	989,903	4.6	17,671,054	5.0
2017	32,446	2.8	945,993	3.6	16,837,337	4.6
2016	31,576	1.6	912,818	2.9	16,092,713	2.6
2015	31,079	2.9	886,726	4.8	15,681,233	4.8
2014	30,196	4.3	845,796	4.7	14,969,527	5.5
2013	28,964	1.4	807,742	(0.2)	14,189,228	1.3
2012	28,554	3.1	809,133	3.4	14,003,346	5.0
2011	27,691	5.9	782,522	4.0	13,330,436	5.9
2010	26,140	3.4	752,443	4.5	12,586,509	4.2
2009	25,292	(1.2)	720,334	(1.4)	12,073,407	(3.2)
2008	25,604	5.4	730,691	4.5	12,475,898	3.8
2007	24,281	5.3	699,133	5.7	12,014,107	5.6
2006	23,052	6.4	661,557	7.4	11,374,142	7.3
2005	21,667	2.5	615,880	4.4	10,599,603	5.6
2004	21,131	5.8	590,004	5.3	10,037,313	5.8
2003	19,980	4.0	560,206	2.3	9,491,393	3.6
2002	19,212	2.2	547,767	0.4	9,157,682	1.6
2001	18,805	6.3	545,723	4.7	9,009,842	4.1
2000	17,688	8.5	521,001	10.2	8,654,561	8.1

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 2000-2022

	State of Vermont		New England		United States	
Calendar Year	Per Capita Income	Percent Growth	Per Capita Income	Percent Growth	Per Capita Income	Percent Growth
2022	$63,206	2.4%	$79,326	1.9%	$65,423	2.0%
2021	61,748	4.2	77,837	6.1	64,117	7.3
2020	59,260	6.9	73,369	6.4	59,763	6.2
2019	55,442	5.8	68,959	4.9	56,250	4.6
2018	52,409	3.2	65,760	4.2	53,786	4.3
2017	50,771	2.3	63,092	3.2	51,550	3.9
2016	49,621	1.5	61,156	2.6	49,613	1.8
2015	48,876	2.6	59,633	4.5	48,725	3.9
2014	47,641	4.1	57,084	4.1	46,887	4.7
2013	45,770	1.1	54,831	(0.7)	44,798	0.6
2012	45,277	2.9	55,229	2.8	44,548	4.2
2011	43,982	5.4	53,729	3.4	42,747	5.1
2010	41,733	3.1	51,978	3.9	40,683	3.4
2009	40,479	(1.3)	50,011	(1.9)	39,356	(4.1)
2008	41,022	5.3	50,954	4.1	41,026	2.9
2007	38,944	5.2	48,962	5.4	39,883	4.6
2006	37,008	6.1	46,440	7.2	38,120	6.3
2005	34,878	2.3	43,321	4.3	35,868	4.6
2004	34,087	5.4	41,530	5.1	34,280	4.8
2003	32,338	3.6	39,500	1.8	32,717	2.8
2002	31,217	1.6	38,787	(0.2)	31,839	0.7
2001	30,716	5.9	38,866	4.1	31,617	3.1
2000	29,014	7.6	37,349	9.3	30,672	6.9

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

Employment Statistics

Vermont had an average labor force of 342,000 (rounded) during calendar year 2022, with approximately 333,000 (rounded) estimated as being employed and approximately 9,000 (rounded) estimated as being unemployed during that period. Vermont's conventionally-reported, statewide 2.6% annual average unemployment rate for calendar year 2022 was significantly lower than the calendar year 2020 statewide unemployment rate of 5.7%, reflecting the impact of the COVID-19 pandemic. Over the course of calendar year 2020, the State's unemployment rate peaked at 14.8% in April 2020 and fell to just 3.5% by December 2020. The State's conventionally-reported, annual average unemployment rate for calendar year 2022 of 2.6% was well below the calendar year 2022 annual average unemployment rates for the New England region as a whole (at 3.6%) and for the nation overall (also 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 2022.

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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 (%)
2022	342	333	2.6	3.6	3.6
2021	336	323	3.7	5.3	5.3
2020*	340	321	5.7	8.2	8.1
2019	354	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	8.9
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.

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 June 2023, the list of commercial air carriers serving BIA includes nine national and regional carriers serving Atlanta, Chicago, Detroit, New York City (John F. Kennedy), Newark, Philadelphia, two of the three Washington, D.C. area airports, and Charlotte. In addition, carriers also provide seasonal non-stop service to Dallas, Denver, Miami, and Minneapolis-St. Paul. Major carriers serving BIA include American Airlines, Delta Airlines, Jet Blue Airlines, United Airlines, and Sun Country Airlines. Some carriers provide service at BIA through their subsidiaries. For example, American Airlines provides service out of BIA through its Copa Airlines and Republic Airlines regional carrier partners.

During calendar year 2022, enplanements at BIA totaled 587,504, an increase of 51.1% over the COVID-impacted 388,834 enplanements in calendar year 2021. That 2022 enplanements count total during calendar year 2022, however, was still 16.7% below the 705,165 enplanements total for calendar year 2019—the year just prior to the COVID pandemic. In calendar year 2022, the Rutland Southern Vermont Regional Airport ("RSVR") had 5,540 passenger enplanements, an increase of 22.3% over the 4,531 enplanements at the airport in calendar year 2021. 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 260,000 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.[8] 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 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

[8] 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.

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 July 31, 2023, NorthStar is on track to meet its decommissioning obligations by calendar year 2030. 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 53,000 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 compliment 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 or other authorizations 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 2022 Annual Comprehensive Financial Report (the "ACFR") was completed on December 22, 2022. The audited basic financial statements of the State for fiscal year 2022, 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 2022 ACFR (pages 13 through 222) 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.

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 2023 and fiscal year 2024 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.

General Fund (Major Fund): 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."

Special Revenue Funds: 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.

Capital Project Funds (Non-major Funds): 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.

Debt Service Funds (Non-major Funds): 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.

Permanent Funds (Non-major Funds): 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

Enterprise Funds: 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, 2022 and 2021 as contained in each fiscal year's Annual Report. **Fiscal year ending June 30, 2023 GAAP-based financial results are currently undergoing audit and are not available at the time of this offering.**

As of June 30, 2022, the General Fund had a $847.0 million total fund balance as compared to a $652.6 million total fund balance as of June 30, 2021, an increase of $194.4 million. This increase is a combination of a $183.1 million increase in the unassigned portion of this fund balance to $770.1 million in 2022, and a $21.4 million increase in the assigned portion of this fund balance to $37.0 million in 2022, offset by a $10.1 million decrease in the nonspendable portion of this fund balance to $39.9 million in 2022. As of both June 30, 2022 and June 30, 2021, there was no fund balance in the General Fund categorized as restricted or committed.

As of June 30, 2022, the Transportation Fund had a total fund balance of $55.4 million, as compared to a $52.7 million total fund balance as of June 30, 2021, an increase of $2.7 million. This increase is a combination of a $2.7 million increase in the committed portion of this fund balance to $55.1 million in 2022, and a $0.3 million increase in the restricted portion of this fund balance to $0.3 million in 2022. The committed fund balance includes the statutory budget stabilization reserve. As of both June 30, 2022 and June 30, 2021, there was no fund balance in the Transportation Fund categorized as nonspendable, assigned or unassigned.

As of June 30, 2022, the Education Fund had a committed and total fund balance of $266.9 million, as compared to a $165.9 million total fund balance as of June 30, 2021, an increase of $101.0 million. The committed fund balance includes the statutory budget stabilization reserve. As of both June 30, 2022 and June 30, 2021, there was no fund balance in the Education Fund categorized as nonspendable, restricted, assigned or unassigned.

As of June 30, 2022, 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, 2022, the Global Commitment Fund had a restricted and total fund balance of $20.4 million, a decrease of $9.0 million compared to the balance as of June 30, 2021. 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, 2022, the Federal Revenue Fund reported a total fund balance of $523.8 million, which was an increase of $19.3 million compared to the June 30, 2021 balance of $504.5 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, 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[9]; (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

[9] 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.

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 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.[10]

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 Airbnb providers, a fast growing, but non-traditional group of room providers 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, a total of 6% of gross Meals and Rooms Tax revenues were earmarked to the Clean Water Fund ("CWF") (a new special fund created to provide resources to assist in

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

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 "MAJOR GOVERNMENTAL PROGRAMS AND SERVICES – Clean Water Initiatives" herein.) 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), with the remaining $14.4 million or 6% 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, insurance taxes accounted for $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."[11] 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% of revenues available were retained by the General Fund and were available for General Fund appropriations in fiscal year 2023.

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

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)[12], 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, a new Cannabis Excise Tax (beginning in fiscal year 2023)[13], and revenues from Net Interest earnings on State bank balances at financial institutions. In addition, one-time revenues were 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

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

[13] 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".

Assembly. Largely due to high levels of Net Interest revenues (at $51.1 million), net revenues in this category for fiscal year 2023 were $113.3 million or 5.1% of revenues available to the General Fund.

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.

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.

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. 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.

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 motor vehicle 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. For more information regarding the Purchase and Use Tax, see "STATE FUNDS AND REVENUES – State Transportation Fund Revenues" above. 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.

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, anticipates approximately $3.150 billion (representing 29.1% of overall budgeted revenues) in federal receipts.

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	**	27.92	**	27.92

[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 manufacturers and distributors, including pharmacy chains, of opioid medications related to their roles in the opioid epidemic. The defendants are paying in installments over different time periods, with the longest being 18 years, although the defendants have the option to accelerate payments. 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 through fiscal year 2023, the State has received approximately $27.7 million, of which approximately $19.4 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, has been challenged by the United States Department of Justice ("USDOJ"). The Second Circuit Court of Appeals ruled the bankruptcy plan may proceed, and the USDOJ recently 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 intends to hear oral arguments in December 2023 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.

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 67 - 69 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*

Consensus Forecast. On January 13, 2022, the Emergency Board met and approved updated consensus revenue forecasts for the General Fund, Transportation Fund and Education Fund for fiscal year 2023 (hereafter the "January 2022 Consensus Forecast"). The January 2022 Consensus Forecast included an "Available to the General Fund" consensus revenue forecast of $1,922.8 million (including an estimated $292.7 million in health care taxes, assessments, and fees "Available to the General Fund") for fiscal year 2023. The January 2022 Consensus Forecast for the General Fund represented a $18.4 million (or 1.0%) increase in consensus revenue expectations relative to the previous July 2021 Consensus Forecast for fiscal year 2023, which was adopted on July 30, 2021. For the Transportation Fund, the Emergency Board at that time agreed to a consensus revenue forecast downgrade of $1.9 million (or 0.6%) to $303.3 million for fiscal year 2023. The Emergency Board also approved a revised consensus revenue forecast upgrade for receipts in the non-property tax Education Fund sources that are covered in the consensus revenue forecasting process of $8.8 million (or 1.3%) to $688.3 million in fiscal year 2022.

On July 28, 2022, the Emergency Board approved updated consensus revenue forecasts for fiscal year 2023 for the General Fund, Transportation Fund and the Education Fund revenue sources covered under the consensus revenue forecasting process for fiscal year 2023 (the "July 2022 Consensus Forecast"). The July 2022 Consensus Forecast included a revised consensus revenue outlook for the General Fund of $2,061.00 million (including an

* All fiscal year 2023 information is preliminary, unaudited and subject to change.

estimated $312.0 million consensus forecast of health care taxes, assessments, and other fees "Available to the General Fund") for fiscal year 2023. The July 2022 Consensus Forecast for the General Fund represented a $138.2 million (or 7.2%) increase in consensus revenue expectations relative to the January 2022 Consensus Forecast for fiscal year 2023. For the Transportation Fund, the Emergency Board agreed to a consensus revenue forecast downgrade of $3.2 million (or 1.1%) to $300.1 million for fiscal year 2023. 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 $11.4 million (or 1.7%) to $699.7 million in fiscal year 2023.

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 2023 (the "January 2023 Consensus Forecast"). The January 2023 Consensus Forecast for fiscal year 2023 included a further revised General Fund consensus revenue forecast of $2,181.3 million (including an estimated $321.8 million in health care taxes, assessments, and fees "Available to the General Fund") for fiscal year 2023. The January 2023 Consensus Forecast for the General Fund represented a $120.3 million (or 5.8%) increase in consensus revenue expectations relative to the July 2022 Consensus Forecast for fiscal year 2023. For the Transportation Fund, the Emergency Board agreed to a modest consensus revenue forecast downgrade of $1.0 million (or 0.3%) to $299.1 million for fiscal year 2023, 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 $29.2 million (or 4.2%) to $728.9 million in fiscal year 2023. 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 2023 expected State revenues in all funds to be $790.5 million (or 32.7%) higher than pre-pandemic levels.

Fiscal Year 2023 Preliminary Results. The following tables present preliminary revenue results for the components of each major fund, as compared to the fiscal year 2023 monthly cash flow targets through June 2023. Results are presented versus the consensus cash flow targets for the January 2023 Consensus Forecast. As reflected below, aggregate State revenue receipts across all three major funds for fiscal year 2023 was $3,248.47 million, $39.25 million or 1.2% above the January 2023 forecast of $3,209.2. million. Fiscal year 2023 results across the State's three revenue aggregates were mixed as presented in the tables below for the General Fund, Transportation Fund, and the portion of the Education Fund that is part of the consensus revenue forecasting process.

Fiscal Year 2023 General Fund Results

	Revenue Target[1]	Revenue Collections	% Difference
Personal Income Tax	$1,262.6	$1,210.0	(4.2)
Corporate Income Tax	221.4	281.4	27.1
Meals and Rooms Tax	160.2	163.9	2.4
Insurance Premium Tax	67.7	68.8	1.7
Inheritance-Estate Tax	16.4	18.6	13.6
Property Transfer	21.3	21.6	1.4
Health Care Revenues	321.8	314.3	(2.3)
Other Revenues	109.9	145.9	32.8
Total	$2,181.3	$2,224.6	2.0

[1] Reflects Official Consensus Revenue Estimates as of January 17, 2023 .
Note: Totals may not add due to rounding. All figures are unaudited. All dollars are in millions.

Fiscal Year 2023 Transportation Fund Results

	Revenue Target[1]	Revenue Collections	% Difference
Gasoline Tax[2]	$74.2	$73.8	(0.5)
Diesel Tax[2]	18.7	17.6	(5.8)
Purchase and Use Tax	97.3	94.8	(2.6)
Motor Vehicle Fees	87.8	87.5	(0.3)
Other Fee Revenues	21.1	21.4	1.4
Total	$299.1	$295.1	(1.3)

[1] Reflects Official Consensus Revenue Estimates as of January 17, 2023 .
[2] Excludes Transportation Infrastructure Bond or (TIB) revenues.
Note: Totals may not add due to rounding. All figures are unaudited. All dollars are in millions.

Fiscal Year 2023 Education Fund Results[1]

	Revenue Target[2]	Revenue Collections	% Difference
Sales and Use Tax	$589.3	$584.0	(0.9)
Meals and Rooms Tax	58.1	59.4	2.4
Lottery	31.1	32.1	3.3
Motor Vehicle Purchase & Use Tax	48.6	47.4	(2.6)
Fund Interest	1.8	5.8	220.9
Total	$728.9	$728.8	(0.0)

[1] Excluding property taxes, which are collected at the local level with net payments to or from the State.
[2] Reflects Official Consensus Revenue Estimates as of January 17, 2023.
Note: Totals may not add due to rounding. All figures are unaudited. All dollars are in millions. NM means Not Meaningful.

Overall, State revenue receipts in fiscal year 2023 tracked close to consensus expectations. Among the three State revenue aggregates, cumulative receipts in the General Fund tracked at $42.3 million or 2.0% ahead of cumulative consensus expectations of $2,181.3 million. Receipts in the Transportation Fund were $3.9 million (or 1.3%) below consensus expectations of $299.1 million. Cumulative revenue collections in the Education Fund were essentially "on-target" for fiscal year 2023 at only $0.1 million below consensus expectations of $728.9 million. Revenues in fiscal year 2023 reflected the effects of the national and State economic recoveries from the pandemic, the evolution of federal fiscal and monetary policies and complementary steps taken by State government over the period, and a generally resilient economy in the face of rising interest rates during the fiscal year.

The higher than expected performance in the General Fund for fiscal year 2023 was largely the result of higher than expected revenues in the Corporate Income Tax (at $60.0 million or 27.1% higher than consensus expectations), the Other Revenues category of receipts (mostly Net Interest receipts), which were roughly $36 million or 32.8% ahead of consensus expectations, and the Meals and Rooms Tax (at $3.8 million or 2.4% higher than consensus expectations for the fiscal year 2023). In contrast, cumulative revenues in the Personal Income Tax trailed expectations at $52.62 million or 4.2% lower than consensus expectations for fiscal year 2023. A diversifying corporate tax base and stronger pricing power for many businesses against the backdrop of rising inflation appeared to underpin stronger than expected Corporate Income Tax receipts, even as Personal Income Tax collections pulled back somewhat as the influence of the extraordinary federal financial pandemic assistance waned, federal monetary policy tightened, and State revenues began to return to reflecting the economy's underlying fundamentals. Even with the under-performance by Personal Income Tax receipts, revenues for the General Fund's "big three" sources—the Personal Income Tax, the Corporate Income Tax, and the Meals and Rooms Tax—still tracked at $11.1 million or 0.7% ahead of cumulative consensus expectations of $1,644.2 million.

In the Education Fund, the "on target" performance reflected the ebbing influence of the extraordinary amount of federal financial pandemic assistance against the backdrop of tightening federal monetary policy and the evolution of post-pandemic consumption activity away from elevated e-commerce and other pandemic-induced consumption activity. Rising economic uncertainty and increasing prospects for a general economic downturn also appear to be creating a headwind for consumption, just as the economy overall seems to be working through its supply-chain issues and the negative effects on consumption spending caused by lack of available inventory

(particularly for vehicles and housing units). In addition, recent trends resulted in somewhat higher than expected Lottery receipts relative to fiscal year 2023 consensus expectations.

Revenues in the Transportation Fund under-performed somewhat, finishing the fiscal year at $3.9 million (or 1.3%) lower than consensus expectations for fiscal year 2023. The under-performance reflected lower than anticipated Fuel Tax and other Motor Vehicle Purchase and Use Tax receipts—owing to relatively high fuel prices globally, nationally, and in the State. Higher than usual fuel prices, along with elevated levels of economic uncertainty across the fiscal year, contributed to slower than expected receipts activity overall. The ongoing war in Ukraine and its negative impacts on oil and natural gas (and other commodity) supplies also impacted receipts activity. In addition, although they have increased somewhat recently, historically low levels of vehicle inventories also created a significant headwind for vehicle purchase and leasing activity over much of fiscal year 2023. Lower vehicle purchase and leasing activity also likely resulted a drag on Motor Vehicle Fees receipts activity during the fiscal year—with its typical time lags.

The underperformance in Transportation Fund revenues, together with the "on-target" performance in the Education Fund, was not significant enough to negatively impact the State's combined roughly 1.2% positive receipts performance across all of the State's three major fund aggregates for fiscal year 2023. These revenue forecast variances, however, did have implications for the updated July 2023 consensus forecast update for fiscal years 2024 and 2025, and throughout the State's fiscal planning period for fiscal years 2026 through 2028 outlined in the following section (see "REVENUE ESTIMATES" 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.

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, 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 the greater acceptance of remote and hybrid work arrangements—even though these changes are still evolving in the post-pandemic economy.

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

	July 2022 Consensus Forecast		January 2023 Consensus Forecast	% Difference (vs. January 2023)		July 2023 Consensus Forecast	% Difference (vs. July 2022)
General Fund	$1,978.3		$2,023.7	2.3%		$2,102.1	6.3%
Transportation Fund	301.4		301.2	(0.1)		304.5	1.0
Education Fund	707.2		718.4	1.6		736.2	4.1
Total	$2,986.9		$3,043.3	1.9		$3,142.8	5.1

The revenue estimates contained in this Official Statement were prepared within one month after the occurrence of the July 2023 Flooding. The full impact on such revenue estimates as a result of the July 2023 Flooding is not known at this time. 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. The consensus revenue forecasts will be updated in January 2024, at which time additional analysis may result in further adjustments to the consensus revenue forecasts for the effects of the July 2023 Flooding as additional facts as to aggregate total damage and costs become known. See "STATE ECONOMY – Economic Activity – Impact of the July 2023 Flooding" above.

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. during the final payments season for the Personal Income Tax during the month of April and over the last five business days of each month of the fiscal year). The most recent update of the consensus revenue forecast occurred on July 31, 2023 for the General Fund, Transportation Fund, and the non-property tax portion of the Education Fund covering fiscal years 2024 and 2025. The State Economists also typically provide a five fiscal year set of fiscal planning revenue estimate numbers 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-January 2024 to consider an updated staff recommended consensus revenue forecast update for fiscal years 2024 and 2025. The typical practice is to approve the updated consensus staff recommended revenue forecasts for the fiscal years as presented by the State Economists. It is unclear at this time whether the State Emergency Board will meet prior to its scheduled January 2024 semiannual review of an updated consensus revenue forecast because of the July 2023 Flooding. An additional meeting may be called for once the final damage assessment from the July 2023 Flooding has been completed.

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 will be 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. Under Act 78 of 2023 (Section C.120) the $20 million will revert to the General Fund Balance Reserve in the fiscal year 2024 budget adjustment act.

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 his or her 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 was reserved in fiscal year 2023, bringing the year end reserve balance to $3.03 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, $97.73 million was reserved in the Human Services Caseload Reserve.

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.

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 is to apply the reserved funding to the calculation of the fiscal year 2025 yields and non-homestead rate in its annual yield/rate recommendation, which is required to be submitted by 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	2,017.23
Tax Data Warehouse	-	-	-	-	
Direct Applications, Transfers in & Reversions	96.73	169.92	195.74	87.61	106.61
Other Revenue[5]	52.93	-	-	-	
Additional Property Transfer Tax	12.82	34.45	36.77	18.70	11.96
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**	**2,473.25**
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)	-
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	99.73
Total Uses	**1,607.31**	**1,742.39**	**2,333.38**	**2,097.54**	**2,378.88**
Operating Surplus (deficit)	**13.47**	**414.30**	**125.96**	**410.61**	**94.38**
Transfers (to) / from Other Funds					
Internal Service Funds	-	-	-	-	
Education Fund	-	-	-	-	
Other Funds[8]	(9.65)	(108.50)	(112.86)	(50.59)	(89.44)
Total Transfers (to) / from Other Funds	**(9.65)**	**(108.50)**	**(112.86)**	**(50.59)**	**(89.44)**
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	-	-	-
Reserved in 27/53 Reserve	(4.03)	(1.85)	20.29	(3.02)	(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)**	**(92.30)**
Unallocated Operating Surplus/ (Deficit)	**(0.00)**	**103.61**	**177.44**	**337.45**	**2.08**
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	97.73	97.73
27/53 Reserve	18.45	20.30	0.01	3.03	8.38
Reserved in General Fund Balance Reserve	31.55	80.37	80.37	80.37	60.37
NTIA Broadband Reserve[10]	-	-	-	-	20.00
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 17, 2023 and appropriations effective July 1, 2022 pursuant to Act 185 of 2022, as amended March 20, 2023 by Act 3 of 2023 (see "Fiscal Year 2023 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).
[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.
[10] Act 78 of 2023 Sec. C.120 redirected $20 million of the General Fund Balance Reserve to establish a $20 million reserve to serve as the State's letter of credit for a pending grant application to the NTIA. See "RECENT GENERAL FUND, TRANSPORTATION FUND AND EDUCATION FUND OPERATING RESULTS – General Fund Balance Reserve" above.

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	301.20
New Revenue	-	-	-	-	8.00
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**	**309.20**
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**	**335.18**
Uses					
Base Appropriations	282.91	271.98	306.87	323.87	329.57
Budget Adjustments	(1.94)	(3.38)	-	(6.70)	-
Current Year Reversions	(44.60)	(6.31)	(3.93)	(34.79)	-
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**	**332.07**
Operating Surplus (deficit)	**25.42**	**28.40**	**27.86**	**29.72**	**3.12**
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)	(1.56)
Other Funds	0.15	(0.05)	(4.71)	0.15	0.14
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)**	**2.31**
Reserved in TF (designated):					
Bond Insurance Premium Reserve	**-**	**-**	-	-	**-**
Budget Stabilization Reserve	(0.26)	2.15	(1.99)	(1.43)	0.93
Total Reserved in the TF (designated)	**(0.26)**	**2.15**	**(1.99)**	**(1.43)**	**0.93**
Total Allocated	**(1.26)**	**0.20**	**(12.52)**	**(3.74)**	**(1.38)**
Unallocated Operating Surplus / (deficit)	**24.16**	**28.59**	**15.34**	**25.98**	**1.74**
TF Reserves (cumulative)					
Bond Insurance Premium Reserve	-	-	-	-	-
Transportation FMS Development Fund			-	-	-
Budget Stabilization Reserve	14.09	11.94	13.93	15.36	14.43
Total TF Reserve Balances	**$14.09**	**$11.94**	**13.93**	**15.36**	**14.43**

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 17, 2023 and appropriations effective July 1, 2023 pursuant to Act 78 of 2023.
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	$519.03
Non-Homestead Education Tax	700.31	735.21	752.42	738.94	782.74
Sales & Use Tax	432.47	507.60	545.18	584.00	576.00
Purchase & Use Tax	35.13	44.69	45.69	47.39	49.40
Meals & Rooms Tax[4]	40.89	35.95	54.21	59.41	58.88
Lottery Transfer	26.82	32.50	30.80	32.12	32.10
Medicaid Transfer	10.56	7.41	11.45	10.32	10.80
Fund Interest	0.84	0.11	0.29	5.78	2.00
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	0.80
All Other Revenues	0.46	0.87	1.23	4.05	0.36
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**	**2,033.11**
Uses					
Education Payment – Education Spending	1,426.40	1,483.26	1,487.99	1,576.53	1,703.32
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	226.20
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	-	-	-	-
Afterschool Grant Program	-	-	-	-	4.00
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	29.00
2022 Act 178 Sec. 3(b) PCB Funds Released by EBoard[5]				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
Total Uses	**1,709.11**	**1,759.08**	**1,823.30**	**1,943.91**	**2,132.73**
Current Year Reversions	**-**	**-**	**-**	**-**	**-**
Operating Surplus/(Deficit)	**(14.09)**	**69.36**	**96.41**	**2.00**	**(99.62)**
Transfers (to) / from Other Funds					
Tax Computer System Modernization Fund[6]	-	-	-	-	(1.30)
Total Transfers (to) / from Other Funds					**(1.30)**
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[7]	-	-	-	-	(9.10)
Tax Rate Offset Reserve[8]	-	-	-	-	(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**	**(27.30)**
Unallocated Operating Surplus / Deficit	**(19.39)**	**28.68**	**48.90**	**59.67**	**(128.22)**
EF Reserves					
Budget Stabilization Reserve	32.98	38.22	39.29	41.83	47.03
Pension/OPEB Prefunding Reserve	-	14.00	-	-	-
PCB Reserve[4]	-	-	32.00	-	-
Future Supplemental COLA Payment Reserve	-	-	-	-	9.10
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	9.03
Total EF Reserve Balance	**$68.27**	**$137.63**	**$234.04**	**$236.03**	**$135.11**

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 17, 2023 and appropriations effective July 1, 2023 pursuant to Act 78 of 2023.
4 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 $32M.
5 Sec. 3 of Act 178 authorized the Emergency Board transfer up to $2.5M to address immediate PCB-related needs; the Board did so at their October 24, 2022 meeting.
6 Pursuant to Sec. D.101(a)(2)(A) of Act 78 of 2023.
7 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.
8 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

In accordance with State law, the Governor presented the fiscal year 2024 Executive Budget Recommendations to the General Assembly on January 20, 2023. The General Assembly considered the Governor's proposed budget, which included an 8% increase in General Fund base spending and used the bulk of the fiscal year 2023 surplus to create reserves sufficient to meet the federal matches required for anticipated FEMA denials dating from the pandemic major disaster declaration and future match requirements anticipated for the IIJA and Inflation Reduction Act federal grants through 2027. The General Assembly passed a fiscal year 2024 appropriations act that increased General Fund base spending by 13% as compared to fiscal year 2023. The General Assembly increased Department of Motor Vehicle fees by 20% and established a new 0.44% payroll tax to be implemented in fiscal year 2025 to pay for an expanded childcare subsidy of up to 550% of the federal poverty level as well as 35% pay increases for childcare providers in fiscal year 2024. The budget bill was delivered to the Governor on May 22, 2023. Citing concerns over fee increases, growth in base spending, and the new payroll tax, the Governor vetoed the bill on May 27, 2023. On June 20, 2023, the General Assembly voted to override the Governor's veto.

The fiscal year 2024 General Fund budget is 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 provides 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 results in $2,378.9 million of total appropriations and a $94.4 million operating surplus. This operating surplus is supplemented by $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 $96.9 million balance is distributed as follows: $22.2 million is transferred to multiple other funds, $67.2 million[14] is 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 $2.1 million remains unallocated.

The fiscal year 2024 Transportation Fund budget is based on the consensus Transportation Fund forecast of $301.20 million adopted by the Emergency Board on January 17, 2023. This budget provides for total appropriations of $332.07 million and projects a fully funded Budget Stabilization Reserve of $14.43 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. See "RECENT GENERAL FUND, TRANSPORTATION FUND AND EDUCATION FUND OPERATING RESULTS" under the subheadings "– Future Supplemental COLA Payment Reserve" and "– Tax Rate Offset Reserve."

As of the date of this Official Statement, the State continues to assess damage incurred by the July 2023 Flooding (see "STATE ECONOMY – Economic Activity – Impact of the July 2023 Flooding"). It is anticipated that action will be necessary as part of the fiscal year 2024 budget adjustment process to address costs associated with the flooding. At this time, specific recommendations are still being developed. As an initial matter, at a meeting held July 31, 2023, Vermont's Emergency Board modified the fiscal year 2024 budget in accordance with Vermont law to reallocate $20 million from an appropriation made to the Department of Public Service for the Governor's Business Emergency Gap Assistance Program to support businesses affected by the July 2023 Flooding with the intent to replace the reallocated funds as part of the fiscal year 2025 budget adjustment process. The Emergency Bord also took

[14] 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.

action to reallocate $10 million to provide financial assistance to low-income Vermont households for replacement of flood-damaged or -destroyed appliances.

State Dependence on Federal Funds

The State's fiscal year 2023 budget based operating results show gross governmental fund revenues of $7.95 billion, of which $3.06 billion (38.5%) came from federal funds. Of the remaining $4.89 billion of funds, $2.22 billion represents General Fund revenues. The $3.06 billion in federal funds represents a decrease of $810.1 million (20.9%) from the amount received in fiscal year 2022. This decrease was largely related to COVID-19 pandemic relief funds winding down as the global public health emergency continued to subside.

The State's fiscal year 2024 budget, as passed, for all funding sources is $10.83 billion, of which $3.15 billion (29.1%) is assumed to come from federal funds. Of the remaining $7.68 billion in State funds, $2.38 billion represents General Fund revenues. 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 Governor has reduced the uncertainty of future funding availability, associated with future economic cycles, by reserving known amounts of current funding for future use now. These reserves are 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 June 30, 2023, the balance of the short-term operating cash totaled approximately $2,674.3 million, split between unrestricted funds of $2,600.7 million and restricted funds of $73.7 million. Approximately $902.8 million or 33.8% of this amount was held on deposit at M&T Bank and TD Bank in collateralized accounts, $1,044.3 million or 39.0% was invested in Fidelity and Federated money market funds, $530.8 million or 19.9% was invested directly in United States Treasury bills, and $180.0 million or 6.7% was invested in collateralized certificates of deposit of TD Bank. In addition, approximately $16.4 million, or 0.6%, 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 fiscal year 2023.

Month-End General Fund Cash Balances
(in millions)

Month	FY2023	FY2022	FY2021	FY2020	FY2019
July	$2,240.3	$1,608.7	$452.2	$445.5	$420.7
August	2,094.5	1,588.2	449.2	312.9	290.6
September	2,128.9	1,523.2	434.7	222.1	226.3
October	2,075.3	1,595.9	364.3	238.9	259.8
November	2,174.0	1,694.4	565.8	377.9	357.0
December	1,908.6	1,475.6	648.7	276.3	184.7
January	2,130.4	1,587.2	721.4	313.4	245.1
February	2,161.5	1,626.5	814.8	313.7	312.4
March	2,335.2	1,636.0	864.0	374.9	340.1
April	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 July 15th and January 15th of each year, and at such other times as the Emergency Board or the Governor deem proper, 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. 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 July 2023 Consensus Forecast was approved by the Emergency Board on July 31, 2023. 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 the General Fund (including health care revenues), the Transportation Fund, and for several major sources of revenues—other than State education property tax receipts[15]—for the Education Fund. The July 2023 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 July 2023 Consensus Forecast also incorporated the relevant aspects of the State's latest short-term economic forecast developed as part of the consensus forecasting process between the State economists. When available, the consensus forecast utilizes the State economic forecast developed as part of the State's participation in 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 have been developed and published only intermittently since calendar year 2016. Because of the reduced availability of the NEEP annual economic forecasts for the State in recent years, the consensus macroeconomic forecast used for the current consensus forecasting cycle was 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").

[15] Which is typically completed during the month of November each year via a separate consensus forecasting process between the State economists.

The following discussion describes the level of current law revenues estimated under the July 2023 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, infrastructure development funds (including those targeted toward expanding broadband access in Vermont), and other federal funds 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 corporate income tax changes).

The revenue estimates contained in this Official Statement were prepared within one month after the occurrence of the July 2023 Flooding. The full impact on such revenue estimates as a result of the July 2023 Flooding is not known at this time. 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. The consensus revenue forecasts will be updated in January 2024, at which time additional analysis may result in further adjustments to the consensus revenue forecasts for the effects of the July 2023 Flooding as additional facts as to aggregate total damage and costs become known. See "STATE ECONOMY – Economic Activity – Impact of the July 2023 Flooding" above.

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 July 2023 Consensus Forecast for the Personal Income Tax for fiscal years 2024 and 2025 reflects a consensus assessment for the path of the State's ongoing economic and labor market recoveries from the steep and quick economic downturn that resulted from the COVID-19 pandemic. The updated consensus forecast fully incorporates the effects of the increases in personal income from the various direct and indirect federal financial pandemic assistance and subsequent rounds of federal funds allocations to the State from federal legislation following the pandemic. The updated July 2023 Consensus Forecast also includes full consideration of the considerable downside economic and revenue risks associated with the still opposing forces embedded with federal fiscal and monetary policies, as the former are geared toward increased spending, investment and hiring, while the latter are oriented toward slowing the economy and inflation. The July 2023 Consensus Economic Forecast expects a significant slowing in the pace of economic activity during the forecast period even though recent readings on the economy suggest economic activity remains resilient. The July 2023 Consensus Economic Forecast expects that the economy will eventually slow sufficiently 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 rates, it is expected that Personal Income Tax revenues will continue their adjustment back to the economy's underlying fundamentals and away from the uptick in economic activity associated with the unprecedented levels of federal financial pandemic assistance. The Personal Income Tax forecast expects that the transition will continue to be gradual, as there still appears to be sufficient levels of savings, increased wealth, and accumulated levels of unspent federal financial assistance monies across the system to maintain somewhat elevated levels of economic activity through at least the next two State fiscal years. Recent more favorable demographic trends (in the wake of the pandemic) and greater levels of acceptance for remote and hybrid working arrangements also are likely to offer some additional forward momentum in Personal Income Tax receipts activity.

The July 2023 Consensus Forecast for the Personal Income Tax includes expected revenue receipts of $1,103.9 million for fiscal year 2024, reflecting an 8.8% decline in receipts versus fiscal year 2023 receipts, despite a strong showing by Personal Income Withholding Tax receipts during fiscal year 2023, and $1,131.7 million for fiscal year 2025, reflecting a 2.5% increase as compared to forecasted fiscal year 2024 receipts "Available to the General Fund" for this component. Relative to the January 2023 Consensus Forecast, the July 2023 Consensus Forecast represents a 3.0% decline in the consensus revenue forecast for the Personal Income Tax for fiscal year 2024 relative

to fiscal year 2023 actual collections. For fiscal year 2025, the July 2023 Consensus Forecast represents a 0.3% decline in the consensus revenue forecast for this component relative to the January 2023 Consensus Forecast.

Corporate Income Tax: The July 2023 Consensus Forecast for Corporate Income Tax receipts for fiscal year 2024 and fiscal year 2025 continues to reflect the ongoing strength of underlying Corporate Tax receipts in an elevated inflationary environment that has contributed to high corporate tax liabilities and State revenue receipts. It has become apparent that corporations with increased pricing power in the current higher inflationary environment have increased margins and their resulting profitability to the benefit of State 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 major payers resulted in a new record high level of Corporate Income Tax receipts during fiscal year 2023 at $281.4 million.

More in-depth analysis of recent Corporate Income Tax payments 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 come and go in the State's Corporate Income Tax base, usually with more coming into the State than leaving the State during upbeat receipts years. This analysis also identified a change in payer profiles and corporate income tax liabilities that are likely to be attributable to the recently enacted change to market-based taxation. Under market-based sourcing, the distribution of State Corporate Income Taxpayers has become significantly less top-heavy, and the State Corporate Tax base now has a wider upper-middle segment of payers in the $100,000 to $2.0 million annual payments range. Despite a great deal of volatility in individual firm payments from year to year, there now appears to be more stability in payments with the more recent mix of payers than previously was the case. This analysis also suggests that there may have been growing compliance with the new tax regime over the past several years as well with respect to the Vermont changes. All this indicates that the State's Corporate Income Tax collections likely have a significantly higher floor over the upcoming forecast horizon even though the consensus forecast update expects that the year-to-year level of Corporate Income Tax receipts to decline as inflation recedes and the "cover" offered by rising inflation makes it more difficult for businesses to continue to raise prices to boost margins and overall profitability.

Against that evolving economic backdrop for businesses, the July 2023 Consensus Forecast for fiscal year 2024 Corporate Tax revenues calls for an increase of $45.8 million (or 25.3%) in forecasted receipts versus the significantly sharper drop off in Corporate Tax receipts that was expected in the January 2023 Consensus Forecast. For fiscal year 2025, the July 2023 Consensus Forecast expects that Corporate Tax receipts will be $50.2 million higher than expected in the January 2023 Consensus Forecast, even though Corporate Tax receipts overall are expected to experience another 6.4% year-to-year decline as inflationary pressures continue to ease for a second straight year. In depth longitudinal analysis of this tax source is expected to continue over the forecast update period to track the evolution of this important tax source in the State's General Fund.

Meals and Rooms Tax: The July 2023 Consensus Forecast reflects the continuation of the post-pandemic, more normal levels of travel and tourism activity in the State during the fiscal year 2024 and 2025 forecast update period. The level of travel and tourism activity in Vermont surged strongly through its initial recovery during the fiscal year 2022 through 2023 timeframe, with "Gross" Meals and Rooms Tax receipts in Vermont experiencing a 50.8% year-over-year increase in fiscal year 2022 and another 9.6% year-over-year increase during fiscal year 2023 as visitor activity in Vermont rebounded strongly from the pandemic-depressed levels experienced back in fiscal years 2020 and 2021. The July 2023 Consensus Forecast overall calls for a total of $241.9 million in "Source" or gross Meals and Rooms Tax revenues for fiscal year 2024, representing a 1.8% increase on a year-over-year basis from actual fiscal year 2023 "Source" Meals and Rooms Tax receipts of $237.7 million, and a $6.4 million (or 2.7%) increase for fiscal year 2024 receipts versus what was expected in the January 2023 Consensus Forecast. The July 2023 Consensus Forecast for fiscal year 2025 calls for a total of $248.8 million in "Source" Meals and Rooms Tax revenues, reflecting a 2.9% year-over-year increase in receipts relative to 2024 consensus expectations and an increase of $6.2 million (or 2.6%) versus forecasted "Source" Meals and Rooms Tax receipts for fiscal year 2025 as set forth in the January 2023 Consensus Forecast.

The July 2023 Consensus Forecast for the General Fund portion of this tax source (at $166.9 million in fiscal year 2024 and $171.7 million in fiscal year 2025) and for the Education Fund portion of this tax source (at $60.5 million in fiscal year 2024 and $62.2 million in fiscal year 2025) fully reflects the allocation changes to affected tax sources as prescribed by Act 11 of 2018. For the General Fund portion of the Meals and Rooms Tax, the updated July

2023 Consensus Forecast represents a $4.4 million or 2.7% increase for fiscal year 2024 versus fiscal year 2024 consensus expectations in the January 2023 Consensus Forecast. Forecasted receipts for the General Fund portion of this tax source for fiscal year 2025 represented a $4.3 million or 2.6% increase versus consensus expectations Last January. For the Education Fund portion of the Meals and Rooms Tax, the July 2023 Consensus Forecast includes a $1.6 million or 2.7% increase in consensus expectations for fiscal year 2024 versus last January's Consensus Forecast, and an increase of $1.6 million or 2.6% increase in receipts for fiscal year 2025 versus forecasted fiscal year 2025 receipt levels from the January 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 a new record for receipts in fiscal year 2023), the inheritance and estate tax, taxes levied on real estate transfers (which have been upbeat in the high asset price environment of recent years), taxes on property or revenues 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 federal and State tax and fee changes. The July 2023 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 for these sources, and increases in Net Interest earnings by the State in the elevated interest rate environment and an environment where the State's bank balances have been at historically elevated levels following the unprecedented period of federal funding support 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 $75 million in total Net Interest revenues during fiscal year 2024—higher than even the record of more than $52 million in Net Interest revenues the State received in fiscal year 2023. The July 2023 Consensus Forecast expects a fairly rapid decline in Net Interest earnings beginning in fiscal year 2025 and continuing thereafter.

Beyond the above, the July 2023 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 July 2023 Consensus Forecast for the General Fund does not include any revenues from lottery profits. The July 2023 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 July 31, 2023.

Transportation Fund – Consensus Revenue Estimates

For the Transportation Fund, the July 2023 Consensus Forecast includes specific consensus forecasts for each of the five major components of the fund: (1) the Gasoline Tax, (2) the Diesel Tax, (3) 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), (4) Motor Vehicle Fees, and (5) Other Fees. The July 2023 Consensus Forecast for the Purchase and Use Tax mirrors the expected number of vehicle sales within the State and the overall rising and elevated level of interest rates—particularly those rates tied to vehicle sales and leasing activity. 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. Sales and leasing activity for vehicles was hampered, however, and continues to be hampered, by the lack of available inventory that was attributable to supply-chain issues. Although the July 2023 Consensus Forecast expects that supply-chain inventory issues will continues to ease, vehicle sales and leasing activity are expected to continue to be somewhat hampered by lower-than-normal inventory levels throughout the forecast update period.

The updated July 2023 Consensus Forecast also expects that lower gas prices in fiscal years 2024 and 2025 will negatively impact price-sensitive fuel tax revenues such as the Motor Fuel Assessment and TIB tax receipts during the forecast period—both of which benefitted receipts during fiscal year 2023. Several statutory changes impacting the Transportation Fund revenue sources (including Acts 19, 41, and 78 of 2023) mostly impacted fees and will go into effect in January 2024. The July 2023 July Consensus Forecast update expects that these changes will mostly offset declining fee revenues trends and will add significant revenues to the Motor Vehicles Fees, Other Fee Revenues and Motor Vehicle Purchase and Use Tax categories, but mostly during fiscal year 2025 (and beyond). Weakness in underlying revenue base growth in many Transportation Fund revenue sources will result in lower-than-expected revenue gains from the fee and tax changes enacted by the Vermont General Assembly during the forecast update period.

Overall, the July 2023 Consensus Forecast represents a significant upgrade in the Transportation Fund's revenue receipts in fiscal year 2024 and fiscal year 2025 relative to the January 2023 Consensus Forecast, "Available to the Transportation Fund" receipts primarily due to the various legislative fee and other changes enacted during the 2023 session of the Vermont General Assembly. More specifically, the July 2023 Consensus Forecast for fiscal year 2024 includes a $3.3 million or 1.1% year-over-year increase in aggregate Transportation Fund revenues to $304.5 million versus the January 2023 Consensus Forecast for fiscal year 2024 Transportation Fund revenues—corresponding to only a partial year of fee and tax changes as enacted by the General Assembly. The July 2023 Consensus Forecast then calls for a $16.0 million or 5.2% consensus revenue forecast upgrade for fiscal year 2025, as compared to the January 2023 Consensus Forecast for fiscal year 2025 Transportation Fund receipts. Relative to the January 2023 Consensus Forecast, the July 2023 Consensus Forecast of $322.1 million for fiscal year 2025 would result in a 5.8% year-over-year increase in Transportation Fund revenues. For fiscal year 2024, the July 2023 Consensus Forecast represents a 3.2% year-over-year increase in total "Available to the Transportation Fund" receipts relative to the fiscal year 2023 Transportation Fund actuals, reflecting the fee and tax changes that are expected to be in effect for only the second half of fiscal year 2024.

Education Fund – Consensus Revenue Estimates

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

Sales and Use Tax: The July 2023 Consensus Forecast for the Sales and Use Tax for fiscal year 2024 and fiscal year 2025 includes a consensus assessment of recent collections activity and economic activity trends that have impacted this tax source. This includes the updated near-term outlook for economic conditions in the context of an expansionary policy posture for U.S. fiscal policy and a contractionary posture for U.S. monetary policy. The July 2023 Consensus Forecast reflects the continuation of the major consumption taxes supporting the Education Fund overall finishing fiscal year 2023 very close to consensus expectations, with Sales and Use tax revenues about 1.0% below target overall. Much of that 1.0% negative variance in Sales and Use Tax receipts emerged during the second half of fiscal year 2023, as there were early signs that higher interest rates and cumulative inflation had started to slow consumption activity overall. The July 2023 Consensus Forecast expects that this downward pressure will intensify throughout fiscal years 2024 and 2025 in this revenue source, but there is no expectation that there will be an outright receipts decline in the Sales and Use Tax during the 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). Sales and Use Tax receipts also reflect the sales tax collected on cannabis sales beginning in fiscal year 2023.

As a result, the July 2023 Consensus Forecast expects total Sales and Use Tax revenues in fiscal year 2024 to exceed the January 2023 Consensus Forecast by $9.2 million or 1.6%. For fiscal year 2025, the July 2023 Consensus Forecast calls for an $8.7 million or 1.5% increase in Sales and Use Tax revenues in comparison to the January 2023 Consensus Forecast. On a year-over-year change basis, the July 2023 Consensus Forecast for fiscal year 2024 includes a 0.2% year-over-year rate of growth to $585.2 million—a year-to-year rate of change that is well below the expected rate of inflation. The July 2023 Consensus Forecast also calls for another 2.1% year-over-year increase in Sales and Use Tax revenues for fiscal year 2025 to $597.4 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 July 2023 Consensus Forecast is roughly equal to the 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 July 2023 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 early signs that higher interest rates and the cumulative increase in inflation had begun to curtail demand in those consumption tax categories. The July 2023 Consensus Forecast expects that downward pressure will intensify throughout fiscal year 2024 and continue into fiscal year 2025, leading to slower revenue growth, but does not expect there will be any outright revenue declines for these important sources in the Education Fund. Instead, the above consumption tax dynamics, along with the expected significant increase in Net Interest revenues, are expected to result in slight upward receipts results in Education Fund revenues over each year in the July 2023 Consensus Forecast time horizon relative to the January 2023 Consensus Forecast. In total, the July 2023 Consensus Forecast expects that receipts in these non-Sales and Use Tax Education Fund sources will comprise 49% of the fiscal year 2024 forecast upgrade total and another 42% of the fiscal year 2025 forecast upgrade.

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, 75% 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 July 2023 Consensus Forecast as approved by the Vermont Emergency Board. 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.

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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	$1,103,900,000	$1,131,700	(4.6)
Corporate Income Taxes	223,261,485	281,369,318	242,700,000	227,100,000	26.0
Meals and Rooms Taxes[2]	149,610,356	163,984,396	166,911,000	171,672,000	9.6
Other Taxes	136,740,826	149,694,305	145,713,000	146,407,000	9.5
Total Taxes	$1,777,389,649	$1,805,019,200	$1,659,224,000	$1,676,879,000	1.6
Healthcare Taxes-Assessments	292,985,005	314,336,113	321,593,000	330,046,000	7.3
Other Revenues	52,855,948	105,225,371	121,300,000	96,400,000	99.1
Total General Fund	$2,123,230,601	$2,224,580,683	$2,102,117,000	$2,103,325,000	4.8%
Available to Transportation Fund:					
Gasoline Taxes[3]	$71,894,789	$73,841,283	$71,200,000	$70,900,000	2.7
Diesel Taxes[3]	18,297,696	17,621,581	18,000,000	17,900,000	(3.7)
Purchase and Use Taxes[4]	91,386,971	94,778,202	97,667,000	101,800,000	3.7
Motor Vehicle Fees	85,957,718	87,507,712	94,400,000	105,600,000	1.8
Other Fees	20,309,554	21,390,923	23,200,000	25,900,000	5.3
Total Transportation Fund	$287,846,728	$295,139,681	$304,467,000	$322,100,000	2.5%
Available to Education Fund:					
Sales and Use Taxes	$545,181,979	$584,047,505	$585,200,000	$597,400,000	7.1
Meals and Rooms Taxes[2]	54,206,651	59,414,636	60,475,000	62,200,000	9.6
Purchase and Use Taxes[4]	45,693,485	47,389,101	48,833,000	50,900,000	3.7
Lottery Transfer	30,797,300	32,122,907	32,300,000	33,000,000	4.3
Net Interest	289,943	5,776,510	9,400,000	6,000,000	1,892.3
Total Education Fund	$676,169,359	$728,750,690	$736,208,000	$749,500,000	7.8%

[1] For fiscal years 2024 and 2025, forecasted totals reflect current law as of July 31, 2023 as approved by the Emergency Board. Actual fiscal year 2022 receipts and fiscal year 2023 receipts are on a "Schedule 2" cash basis. Fiscal year 2023 results are preliminary and unaudited.
[2] Per statute, 75% of the Meals and Rooms Tax is apportioned to the General Fund and 25% is apportioned to the Education 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 (with fiscal year 2023 reflecting preliminary actual, unaudited receipt totals) 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)%	$1,103.9	(8.8)%	$1,131.7	2.5%
Corporate	133.4	(9.8)	223.3	67.3	281.4	26.0	242.7	(13.7)	227.1	(6.4)
Meals and Rooms[2]	99.4	(14.5)	149.6	50.8	164.0	9.6	166.9	1.8	171.7	2.9
Liquor	4.8	32.8	5.0	5.0	5.1	2.1	5.3	3.3	5.5	3.8
Insurance	60.4	4.0	65.7	8.7	68.8	4.8	70.1	1.8	71.2	1.6
Total Telephone Tax	2.3	(28.8)	2.5	10.9	2.4	(5.7)	2.3	(3.1)	2.2	(4.3)
Beverage	7.2	1.3	7.0	(2.9)	7.3	3.1	7.4	2.0	7.5	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)	19.1	(11.4)	18.2	(4.7)
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	1.2	(14.2)	1.1	(8.3)
TOTAL TAXES:	$1,438.1	10.4%	$1,777.4	23.6%	$1,805.1	1.6%	$1,659.2	(8.1)%	$1,676.9	1.1%
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	(21.3)	45.6	8.1	44.0	(3.5)	43.6	(0.9)
Services	3.0	24.3	2.8	(7.7)	3.7	33.2	3.3	(11.8)	3.4	3.0
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	69.6	36.1	44.6	(35.6)
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%	$121.3	15.3%	$96.4	(20.5)%
HEALTH CARE REVENUES[3]	$278.1	(1.0)%	$293.0	5.1%	$314.3	5.0%	$321.6	2.3%	$330.0	2.6%
TOTAL GENERAL FUND	$1,767.7	7.8%	$2,123.2	20.1%	$2,224.6	4.5%	$2,102.1	(5.5)%	$2,103.3	0.1%

NM means "Not Meaningful"

1 Based on the July 2023 Consensus Forecast. Represents a current law forecast through the actions of the 2023 session of the Vermont General Assembly.

2 Per statute, 75% of the Meals and Rooms Tax is apportioned to the General Fund and 25% is apportioned to the Education 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%	$71.2	(3.6)%	$70.9	(0.4)%
Diesel Tax[2]	17.9	0.2	18.3	2.0	17.6	(3.7)	18.0	2.1	17.9	(0.6)
Purchase and Use Tax[3]	84.9	27.2	91.4	2.3	94.8	3.7	97.7	3.0	101.8	4.2
Motor Vehicle Fees	87.6	4.7	86.0	(1.9)	87.5	1.8	94.4	7.9	105.6	11.9
Other Fees	20.5	(3.4)	20.3	(1.1)	21.4	5.3	23.2	8.5	25.9	11.6
TOTAL TRANSPORTATION FUND	$282.7	7.0%	$287.8	1.8%	$295.1	2.5%	$304.5	3.2%	$322.1	5.8%
AVAILABLE TO THE EDUCATION FUND										
Sales and Use Tax	$507.6	17.4%	$545.2	7.4%	$584.0	7.1%	$585.2	0.2%	$597.2	2.1%
Meals and Rooms Tax[4]	36.0	(12.1)	54.2	50.8	59.4	9.6	$60.5	1.8	62.2	2.9
Purchase and Use Tax[3]	44.7	27.2	45.7	2.3	47.4	3.7	48.8	3.0	50.9	4.2
Lottery	32.5	21.2	30.8	(5.2)	32.1	4.3	32.3	0.6	33.0	2.2
Net Interest	0.1	(87.1)	0.3	169.1	5.8	1,892.3	9.4	62.7	6.0	(36.2)
TOTAL EDUCATION FUND	$620.9	15.8%	$676.2	8.9%	$728.8	7.8%	$736.2	1.0%	$749.5	1.8%
MEMO: "Source" Purchase and Use[5]	$134.1	27.2%	$137.1	2.3%	$142.2	3.7%	$146.5	3.0%	$152.7	4.2%
MEMO: "Source" Sales and Use[5]	$507.6	17.4%	$545.2	7.4%	$584.0	7.1%	$585.2	0.2%	$597.4	2.1%
MEMO: "Source" Meals and Rooms Tax[5]	$143.8	(12.1)%	$216.8	50.8%	$237.7	9.6%	$241.9	1.8%	$248.8	2.9%

1 Based on the July 2023 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, 75% of the Meals and Rooms Tax is apportioned to the General Fund and 25% is apportioned to the Education 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. NM means Not Meaningful.

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	$1,222,680,674
Federal Funds[3]	1,639,401,397	1,840,687,694	1,777,398,763
Tobacco Settlement	23,088,208	23,088,208	23,088,208
Special Funds[4]	118,491,406	126,239,965	132,996,118
Other Funds	25,000	25,000	25,000
Total	$2,830,375,327	$3,052,666,113	$3,156,188,763

[1] 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.
[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 ARRA and Coronavirus Relief 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 January 2022, more than 188,000 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, 93% 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 2022, total VHC maintenance and operating costs were $49.9 million. Of this, $18.2 million was appropriated by the General Assembly from State funds and $31.7 million was funded through federal Medicaid. In the fiscal year 2023 budget, $49.7 million is budgeted for VHC operations and maintenance. Of this amount, $18.1 million was appropriated by the General Assembly from State funds and $31.6 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 2022 was $6.7 million, of which $3.7 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 2023. In 2022, 126,291 Vermont Medicaid members are attributed to the program, representing 80% of full benefit, non-dual Medicaid members as of January 1, 2022. 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 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[16]), 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).

[16] 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*
State Aid to Local School Districts	$1,502,051,000	$1,577,649,173	$1,703,317,103
Special Education Aid to Local Districts	229,000,000	208,073,400	226,195,600
Vermont State Teachers' Retirement System Contributions	189,646,629	188,073,782	193,811,051
Town Highway Grants	69,059,085	53,956,625	54,735,261
Total	$1,920,697,629	$2,027,752,980	$2,178,059,015

* Based on the consensus revenue forecast adopted by the Vermont Emergency Board on January 17, 2023 and appropriations effective July 1, 2023 pursuant to Act 78 of 2023.

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*
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

* Based on the consensus revenue forecast adopted by the Vermont Emergency Board on January 17, 2023 and appropriations effective July 1, 2023 pursuant to Act 78 of 2023.

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	67,958,239
Vermont Student Assistance Corporation	25,911,038	$25,711,038	28,311,038
Total	$162,678,371	$142,665,370	$153,353,643

* Based on the consensus revenue forecast adopted by the Vermont Emergency Board on January 17, 2023 and appropriations effective July 1, 2023 pursuant to Act 78 of 2023.

The availability of federal COVID relief funds has 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	208,539,656
Human Services	960,370,523	970,495,760	1,056,891,225	1,071,972,923	1,231,153,062
Education	251,100,702	258,476,856	425,517,982	325,026,947	344,538,542
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	37,999,582
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	330,862,115
Debt Service	76,413,324	75,828,995	72,953,869	76,375,109	75,377,993
Total Appropriations	$1,607,307,455	$1,742,394,948	$2,333,376,886	$2,097,540,666	$2,378,878,870

[1] Based on the consensus revenue forecast adopted by the Vermont Emergency Board on January 17, 2023 and appropriations effective July 1, 2023 pursuant to Act 78 of 2023.

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	$27.2 million (projected)	$6.7 million (appropriated)
2024	$26.2 million (projected)	$9.9 million (appropriated)

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[17]). 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. The next phases of Vermont's TMDL implementation break 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, 2022/State Fiscal Year 2022, estimates that state, federal, and regulatory clean water programs have reduced approximately 88,000 pounds of phosphorus loading delivered to Lake Champlain, which represents approximately 19 percent of the reductions required for Lake Champlain to meet water quality standards.

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

[17] 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.

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 Service, 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 an application to the EPA's Climate Pollution Reduction Grant program and anticipates receiving a $3 million award 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.

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 2018 through fiscal year 2022 presented on a GAAP basis. **Fiscal year ending June 30, 2023 GAAP-based financial results are currently undergoing audit and are not available at the time of this offering.**

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

	2018	2019	2020	2021	2022
REVENUES:					
Taxes	$ 3,232,052	$ 3,382,075	$ 3,353,706	$ 3,842,366	$ 4,221,309
Fees	142,462	162,247	150,451	173,625	180,601
Sales of services, rents and leases	22,631	20,243	18,260	21,260	22,483
Federal grants	1,996,808	2,006,409	2,273,261	3,604,985	3,343,133
Fines, forfeits and penalties	15,003	21,523	22,222	10,477	11,217
Investment income/(loss)	9,151	15,035	12,564	8,767	(1,956)
Licenses	131,693	132,480	132,805	141,567	141,135
Special assessments	89,511	27,801	28,887	31,501	37,474
Other revenues	151,135	100,701	99,610	108,172	110,076
Total revenues	**5,790,446**	**5,868,514**	**6,091,766**	**7,942,720**	**8,065,472**
EXPENDITURES:					
General government	105,995	135,736	116,546	426,554	417,868
Protection to persons and property	385,757	314,506	360,312	495,725	604,256
Human services	2,419,697	2,495,910	2,645,660	3,003,129	3,060,424
Employment and training	29,922	32,913	46,285	123,029	41,130
General education	1,986,177	2,071,627	2,152,797	2,350,924	2,581,146
Natural resources	116,252	131,654	140,545	144,304	145,209
Commerce and community development	35,740	33,934	31,927	261,066	206,951
Transportation	568,456	534,343	565,414	584,587	619,430
Capital outlay	66,771	83,947	58,938	44,440	53,022
Debt service	73,160	78,097	80,496	80,646	96,122
Total expenditures	**5,787,927**	**5,912,667**	**6,198,920**	**7,514,404**	**7,825,558**
Excess of revenues over (under) expenditures	**2,519**	**(44,153)**	**(107,154)**	**428,316**	**239,914**
Other financing sources (uses):					
Bonds and refunding bonds proceeds	106,095	0	127,780	153,325	0
Transfers from Lottery	27,154	29,179	27,523	31,889	31,136
Net operating transfers in (out)	(1,882)	1,238	18,024	22,520	1,668
Other sources (uses)	10,937	0	(27,461)	(52,739)	646
Total other financing sources (uses)	**142,304**	**30,417**	**145,866**	**154,995**	**33,450**
Net change in fund balances	**144,823**	**(13,736)**	**38,712**	**583,311**	**273,364**
Fund Balance, July 1, restated[1]	926,961	1,070,238	1,056,502	1,095,214	1,678,525
Fund Balance, June 30	**$ 1,071,784**	**$ 1,056,502**	**$ 1,095,214**	**$ 1,678,525**	**$ 1,951,889**

[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.

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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	$75,093
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	**$1,732,110**
Less:	
Reserve Fund Commitments	(1,000,487)
Net Tax-Supported Debt	**$631,623**

[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]

	2019	2020	2021	2022	2023 (unaudited)
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	642,698	645,821	648,121	650,006
Debt Per Capita	$907	$954	$975	$893	$812
Personal Income ($ in millions by fiscal year) [4]	$34,634	$37,151	$39,172	$39,845	$41,973
Debt as a Percent of Personal Income	1.7%	1.7%	1.6%	1.5%	1.3%
General Fund, Transportation Fund and Special Fund Debt Service ($ in thousands) [2,5]	$75,593	$77,971	$76,865	$73,559	$69,702
General Fund, Transportation Fund and Special Fund Cash Revenues ($ in thousands) [6]	$1,894,534	$1,905,379	$2,050,995	$2,419,890	$2,519,700
Total Debt Service as a Percent of Total General Fund Transportation Fund and Special Fund Revenues	4.0%	4.1%	3.7%	3.0%	2.8%

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

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.

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[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. Statistics reflect certain revised and estimated data for 2019 through 2022 and projected data for 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 projected for fiscal year 2023 using the administration-legislative consensus economic forecast prepared in connection with the Consensus Revenue Forecast as of July 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.

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.

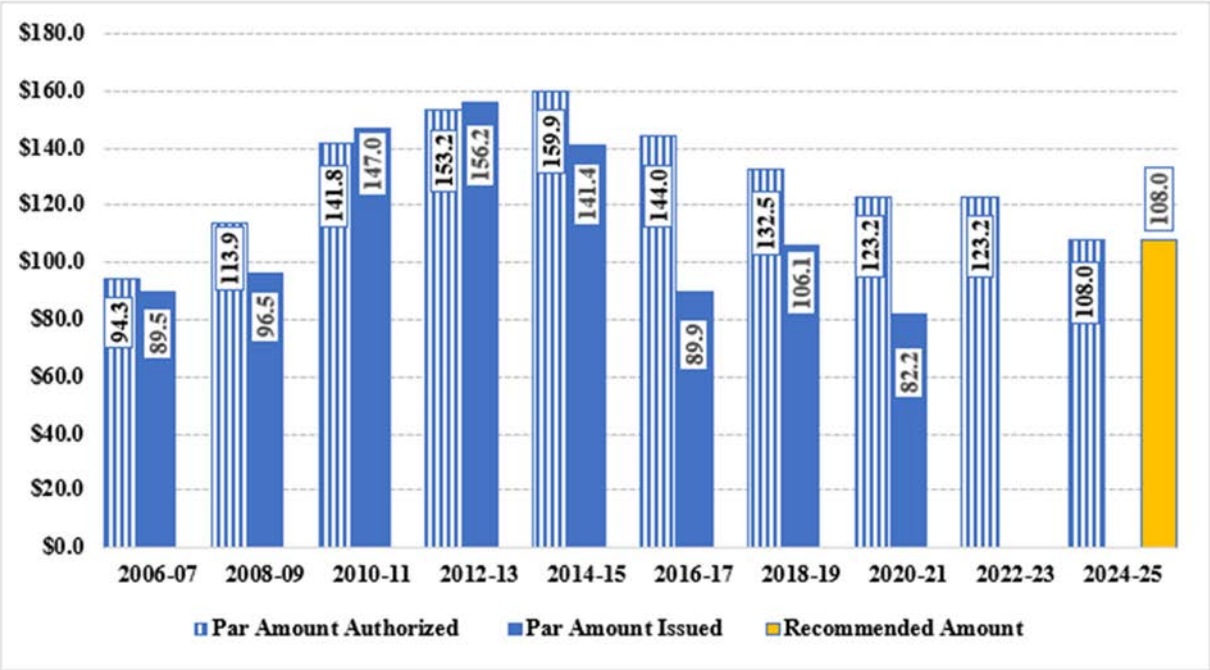
At its October 2020 meeting, the Committee recommended a two-year debt authorization of $123.18 million of general obligation bonds for fiscal years 2022 and 2023, reflecting no change from the previous biennium recommendation of $123.18 million. Consistent with the Committee's recommendation, the General Assembly authorized the two-year debt authorization of $123.18 million, plus $4.20 million in transfers and reallocations from prior years, for total authority of $127.38 million for the purposes of funding appropriations for fiscal years 2022 and 2023 (consisting of not more than $70.07 million in fiscal year 2022 and the remaining $57.31 million in fiscal year 2023). The Committee affirmed their recommendation in September 2021.

In fiscal year 2021, $82.19 million of new money debt was issued, producing $98.81 in proceeds available for capital projects within the State. The bonds issued in May 2021 were issued at a premium in the amount of $16.74 million. Accordingly, pursuant to the 2023 Capital Bill Adjustment Act (Act 180 of 2022), the General Assembly increased the total authorization for fiscal years 2022 and 2023 to $143.76 million.

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 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, as well as the recommended and actual authorized amounts for fiscal years 2024 and 2025.

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.*
- *The "Recommended" amount reflects the recommended two-year authorization amount of the Committee.*

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.

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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	-

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. Following the issuance of the Bonds, the State expects to have $226.7 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 $574,487,000 and the principal amount of loans outstanding to municipal borrowers as of June 30, 2023 was $545,553,232. 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 $360.0 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.

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, 2022 was as follows:

	Active	Inactive	Terminated, Vested	Retired and Beneficiaries
STRS	10,387	2,932	938	10,295
VSRS	8,324	2,012	815	7,963
VMERS	8,059	3,997	1,048	4,149

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 contribution 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 2013 through fiscal year 2022, inclusive.

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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
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
2013	1,554,351,563	32,343,368	63,646,240	120,403,031	155,394,010

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]
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
2013	1,470,492,327	29,847,352	51,370,307	110,715,697	100,569,261

1 Source: Annual Actuarial Valuation Report and Comprehensive Annual 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
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
2013	463,186,430	15,060,665	12,014,186	34,838,507	19,437,379

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[1] Source: Annual Actuarial Valuation Reports and Comprehensive Annual 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, 2022 (the "2022 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: https://www.vermonttreasurer.gov/sites/treasurer/files/2022%20VSERS%20Actuarial%20Valuation.pdf

STRS: https://www.vermonttreasurer.gov/sites/treasurer/files/2022%20VSTRS%20Actuarial%20Valuation.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 2022, the actuarial rate of return of the assets, which utilized smoothing (defined below), was 5.56% for VSRS and 5.70% for VSTRS (the market rates of returns were losses of (8.66)% and (8.85)%, 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	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
	2013	1,552,924,370	1,554,351,563	99.9	6.7	8.4
VSRS	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
	2013	1,469,169,902	1,470,492,327	99.9	6.7	8.6

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

Recent Actuarial Assumption Changes. There has been significant discussion on the national level relative to the appropriate interest rate assumptions used by public pension plans. The Vermont retirement systems, in concert with their investment and actuarial consultants, believe that the interest rate assumptions should be viewed as part of an interrelated set of actuarial assumptions and thus evaluated in a comprehensive, formal experience study rather than in isolation. 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, 2014 through June 30, 2019. These reports are posted on the State Treasurer's website at :

VSRS: https://www.vermonttreasurer.gov/sites/treasurer/files/VSERS/VSERS-reports/other-reports/14794%20-%20VSERS%20-%202020%20Experience%20Review_FINAL.pdf

STRS: https://www.vermonttreasurer.gov/sites/treasurer/files/VSTRS/VSTRS-reports/other-reports/14794%20-%20VSTRS%20-%202020%20Experience%20Review_FINAL.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, 2020. The major actuarial assumptions were updated based on the results of the 2019 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%.

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 will increase to 7.15% in fiscal year 2023 and 7.65% in fiscal year 2024. For members in the 50th-75th percentile, rates will increase similarly, 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 2022 ADEC was $120.0 million, based on the Funding Valuation Report for the year ended June 30, 2020. Of this amount, $1.4 million was paid by municipal employers whose employees are statutory members of VSRS, leaving a State portion of $118.6 million. The State also contributed $2.1 million to prepay the Treasurer's estimate of non-healthcare administrative expenses, making the total required State contribution $120.7 million. The fiscal year 2022 contribution to VSRS was $197.5 million, which exceeded the ADEC for VSRS for such year. For fiscal year 2023, the VSRS ADEC was $116.0 million, based on the Funding Valuation Report for the year ended June 30, 2021. Based on an estimate of $1.8 million of contributions by municipal employers whose employees are statutory members of VSRS, the State contribution amount is $114.2 million. The State also contributes an amount to prepay the Treasurer's estimate of non-healthcare administrative expenses, which for fiscal year 2023 is $1.5 million, for a total State planned contribution of $125.6 million. The fiscal year 2023 budget fully funded the State's portion of the fiscal year 2023 ADEC for VSRS. The following table presents information regarding the ADEC and the State's contributions to VSRS for fiscal years 2018 through 2022.

VSRS ($ in thousands)					
Fiscal Year	**2018**	**2019**	**2020**	**2021**	**2022**
Actuarially Determined Employer Contribution (ADEC)	$52,065	$62,985	$78,944	$83,877	$119,968
Actual Employer (State) Contribution	$64,564	$66,618	$84,430	$88,944	$197,523
% of ADEC Funded for Fiscal Year	124.0%	105.8%	106.9%	106.0%	164.7%

The 2022 Funding Valuation Report for VSRS sets forth the following projection of contributions for fiscal years 2024 and 2025.[1]

	Projected ADEC (VSRS)		
Fiscal Year	Normal Cost	UAAL	Total
2024	$30,969,409	$90,903,961	$121,873,370
2025	28,882,353	92,760,235	121,642,588

[1] See Section 2 to the 2022 VSRS Report

In addition, Section 2 of the 2022 VSRS valuation report sets forth a projected amortization schedule for the UAAL. It projects that the amortization payments will increase from $84.76 million as of July 1, 2022 (FY2023) to $111.60 million as of June 30, 2037 (FY2038), 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 (FY2024) through July 1, 2032 (FY2033) 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 2022 ADEC was $196.2 million, based on the Funding Valuation Report for the year ended June 30, 2020. The fiscal year 2022 contribution to STRS was $325.2 million. The fiscal year 2023 ADEC for the STRS is $205.2 million, based on the funding valuation report for the year ended June 30, 2021. The State expects to fund the fiscal year 2023 STRS ADEC in an amount equal to $205.2 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 2018 through 2022.

STRS ($ in thousands)					
Fiscal Year	**2018**	**2019**	**2020**	**2021**	**2022**
Actuarially Determined Employer Contribution (ADEC)	$88,409	$105,641	$126,197	$132,142	$196,207
Actual Employer (State) Contribution	$114,599	$119,175	$126,942	$134,541	$325,245
% of ADEC Funded for Fiscal Year	129.6%	112.8%	100.6%	101.8%	165.8%

The 2022 Funding Valuation Report for STRS sets forth the following projection of contributions for fiscal years 2024 and 2025. [1]

Fiscal Year	**Projected ADEC** (STRS)		
	Normal Cost	UAAL	Total
2024	$34,825,673	$159,455,378	$194,281,051
2025	34,387,436	163,368,194	197,755,630

[1] See Section 2 to the 2022 STRS report.

In addition, Section 2 of the 2022 STRS valuation report sets forth a projected amortization schedule for the UAAL. It projects that the amortization payments will increase from $160.1 million as of July 1, 2022 (FY2023) to $204.8 million as of June 30, 2037 (FY2038), 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 (FY2024) through July 1, 2034 (FY2035) 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 2013 through 2022, 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							
	2013	$1,469,170	$1,914,300	$445,130	76.8%	$416,766	106.8%
	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
Vermont State Teachers' Retirement System							
	2013	$1,552,924	$2,566,834	$1,013,910	60.5%	$563,623	179.9%
	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
Vermont Municipal Employees' Retirement System							
	2013	$446,236	$528,426	$82,190	84.4%	$220,372	37.3%
	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

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, 2022, the VSRS Defined Contribution Plan's net position totaled $73.10 million and there were 547 participants.

The General Assembly granted authority to VMERS's 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, 2022, the VMERS Defined Contribution Plan's net position totaled $25.82 million and there were 431 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. This will likely result in increased volatility in the NPL and pension expense from year to year. Accordingly, the State will continue 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, 2022 are incorporated herein by reference and are available at:

VSRS: https://www.vermonttreasurer.gov/sites/treasurer/files/2022%20VSERS%20GASB%2067%20Report.pdf

STRS: https://www.vermonttreasurer.gov/sites/treasurer/files/2022%20VSTRS%20%20GASB%2067%20Report.pdf

VMERS: https://www.vermonttreasurer.gov/sites/treasurer/files/2022%20VMERS%20GASB%2067%20Report.pdf

The fiscal year 2022 GASB 67 Reports are based on fiscal year 2021 census data rolled forward to fiscal year 2022, 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, 2022. 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 2022 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 2022 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 2022 based on GASB 67, see pages 180-197 of the fiscal year 2022 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	2022	$2,276,645	$3,400,579	$1,123,934	66.95%	$552,317	203.49%
STRS	2022	$2,339,413	$4,267,972	$1,928,559	54.81%	$657,935	293.12%
VMERS	2022	$845,979	$1,149,351	$303,372	73.60%	$331,960	91.39%

[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 2022 are as follows:

($ in thousands)

	VSRS	STRS
One percent (1%) 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 (1%) increase		
Discount Rate	8.00%	8.00%
Net Pension Liability	$762,918	$1,490,986

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 2022, the State elected to use fiscal year 2021 as a measurement date, which means that the NPL reported in the State's ACFR for the fiscal year ended June 30, 2022 is based on the fair value of assets as of June 30, 2021. As of June 30, 2022, the State reported an NPL of $2,525.3 million, of which $829.8 million is allocable to VSRS and $1,695.5 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 2022 (based on a June 30, 2021 measurement date) and concluded that none of the three plans experienced a "crossover" event. The measurement of the State's NPL for fiscal year 2022 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, 2022 are posted on the State Treasurer's website at:

VSRS: http://www.vermonttreasurer.gov/sites/treasurer/files/VSERS/PDF/2022/VSERS_2022_GASB_68_Report.pdf

STRS: http://www.vermonttreasurer.gov/sites/treasurer/files/VSTRS/PDF/2022/VSTRS_2022_GASB_68_Report.pdf

For fiscal year 2023, the State has 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 will be 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. In addition, Act 114 of 2022 commits the State to making additional annual payments above the ADEC to VSRS and STRS of $9 million in fiscal year 2024, 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' 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, 2022 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 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, 2022 is $802.5 million, a decrease of $670.6 million from the prior valuation NOL of $1,473.1 million, primarily as a result of the change in valuation methodology due to prefunding.

Based on the actuarial report under GASB 74 for the year ended June 30, 2022, the VSRS OPEB ADECs for fiscal years 2023 and 2024 are $64.6 million and $67.1 million, respectively. In fiscal year 2022, the State funded actual health care pay-as-you-go payments for VSRS in the amount of $35.1 million. For fiscal year 2023, the State budgeted health care payments at $42.3 million.

For STRS, the Net OPEB Liability (NOL) as of June 30, 2022 is $717.9 million, a decrease of $557.7 million from the prior valuation NOL of $1,275.6 million, primarily as a result of the change in valuation methodology due to prefunding. Based on the actuarial report under GASB 74 for the year ended June 30, 2022, the STRS OPEB ADECs for fiscal years 2023 and 2024 are $54.8 million and $61.3 million, respectively. In fiscal year 2022, the State funded actual health care pay-as-you-go payments for STRS in the amount of $28.1 million. For fiscal year 2023, the State budgeted health care payments at $35.7 million.

The actuarial reports under GASB 74 of the OPEB liabilities for VSRS and STRS as of June 30, 2022 are posted on the State Treasurer's website at:

VSRS: https://www.vermonttreasurer.gov/sites/treasurer/files/VSERS/VSERS-reports/VSTRS-actuarial-valuation/VSERS%207_1_22%20GASB%2074%20-%20FINAL.pdf

STRS: https://www.vermonttreasurer.gov/sites/treasurer/files/VSTRS/VSTRS-reports/Actuarial-Valuation/VSTRS%207_1_22%20GASB%2074%20-%20FINAL.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 ("NOL") 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 other post-employment benefits ("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 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 151-158 of the fiscal year 2022 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
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
2013	15,662,783	985,944,145	970,281,362	1.59	436,949,107	222.06
2012	13,378,884	1,052,687,391	1,039,308,507	1.27	406,929,339	255.40

[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
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
2013	-	712,666,108	712,666,108	0.00	563,533,549	126.46

[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.

The GASB 74 OPEB reports for VSRS and STRS at June 30, 2022 are posted on the State Treasurer's website at:

VSRS: https://www.vermonttreasurer.gov/sites/treasurer/files/VSERS/VSERS-reports/VSTRS-actuarial-valuation/VSERS%207_1_22%20GASB%2074%20-%20FINAL.pdf

STRS: https://www.vermonttreasurer.gov/sites/treasurer/files/VSTRS/VSTRS-reports/Actuarial-Valuation/VSTRS%207_1_22%20GASB%2074%20-%20FINAL.pdf

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 employees represented by VSEA (effective July 1, 2022 and expiring June 30, 2024) provides for the continuation of longevity-based salary increases (steps) during both years of the contract, a 3.0% across-the-board pay increase effective July 3, 2022, a $1,500 one-time lump sum payment effective January 14, 2023, an additional 2.0% across-the-board pay increase effective July 2, 2023, and a final lump sum payment of $1,000 effective January 27, 2024. The VTA bargaining unit agreement (effective July 1, 2022 and expiring June 30, 2024) provides for the continuation of longevity-based salary increases across both years of the contract, an 8.0% across-the-board pay increase effective July 3, 2022, and an additional 3.0% across-the-board pay increase effective July 2, 2023.

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 2022, 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. Since then, a total of 34 separate lawsuits have been filed on behalf of 63 individual EB-5 investors. The State and its current and former officials and employees deny 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 has been signed, is contingent on the Florida federal court overseeing the Jay Peak receivership issuing a “bar order.” The settlement has received preliminary approval by the Florida federal court; a 30-day objection period is currently running, which expires September 23, 2023, and a final approval hearing has been scheduled for October 23, 2023. If there are no objections, the court may cancel the hearing, and the settlement could receive final approval any time thereafter at the court’s discretion. If the court approves the settlement and issues the bar order, it will resolve 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. Subject to contingencies and court approval, the terms of the global settlement include current 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. 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. 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. For tax years beginning after December 31, 2022, 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 SERIES A BONDS

After competitive bidding on August 22, 2023, the Series A Bonds were awarded to BofA Securities, Inc. BofA Securities, Inc. 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 $89,931.70. BofA Securities, Inc. may change the public offering yields or prices from time to time.

UNDERWRITING OF THE SERIES B BONDS

The Series B Bonds are being purchased for re-offering by the underwriters named on the cover page of this Official Statement (the "Series B Underwriters"), at an aggregate purchase price of $29,820,122.32 (representing $27,285,000 aggregate principal amount of the Series B Bonds, plus original issue premium of $2,685,045.35, less an underwriters' discount of $149,923.03). Pursuant to the Contract of Purchase, the Series B Underwriters have jointly and severally agreed, subject to certain conditions, to purchase all, but not less than all, of the Series B Bonds if any are purchased. Subject to the Contract of Purchase, the Series B Underwriters may offer and sell the Series B Bonds to certain dealers and others (including dealers depositing Series B Bonds into investment trusts) at prices lower (or yields higher) than the public offering prices (or yields) stated on the inside cover page hereof, and the public offering prices (or yields) set forth on the inside cover page hereof may be changed from time to time after the initial offering by the Series B Underwriters.

The following language has been provided by the underwriters named therein. The State takes no responsibility as to the accuracy or completeness thereof.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC., an underwriter of the Series B Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series B Bonds.

UBS Financial Services Inc. ("UBS FSI"), an underwriter of the Series B Bonds, has entered into a distribution and service agreement with its affiliate UBS Securities LLC ("UBS Securities") for the distribution of certain municipal securities offerings, including the Series B Bonds. Pursuant to such agreement, UBS FSI will share a portion of its underwriting compensation with respect to the Series B Bonds with UBS Securities. UBS FSI and UBS Securities are each subsidiaries of UBS Group AG.

The Series B Underwriters and their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. The Series B Underwriters and their affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the State for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Series B Underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the State. The Series B Underwriters and their affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

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. Certain legal matters will be passed upon for the Series B Underwriters by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts.

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 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 by not later than 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 2023 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 2023 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, 2022

The information in this Appendix A includes pages 13 through 222 of the State of Vermont's Annual Comprehensive Financial Report (the "ACFR") for the fiscal year ended June 30, 2022. 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, 2022, 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, 2022, 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	0.04%	0.06%
Business-Type Activities	State Lottery Fund; Energy Efficiency Utility Fund	11.80%	44.77%
Special Fund	Universal Service Fund	0.79%	1.53%
State Lottery Fund	State Lottery Fund	100.00%	100.00%
Aggregate Remaining Fund Information	Energy Efficiency Utility Fund	0.53%	8.37%
Aggregate Discretely Presented Component Units	Vermont Student Assistance Corporation; University of Vermont and State Agricultural College; Vermont State Colleges; Vermont Housing Finance Agency; Vermont Economic Development Authority; Vermont Housing and Conservation Board; Vermont Municipal Bond Bank; Vermont Educational and Health Buildings Financing Agency; Vermont Veterans' Home	100.00%	100.00%

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

As discussed in Note V-G to the financial statements, effective July 1, 2021, the State adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-to-use lease asset and corresponding lease liability and lessors to recognize a lease receivable and corresponding deferred inflow of resources for all leases with lease terms greater than twelve months. Our opinions were not modified with respect to this matter.

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

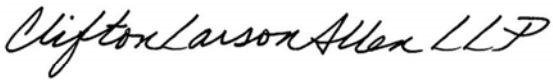
Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover 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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2022, 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

Boston, Massachusetts
December 22, 2022

INTRODUCTION

We are pleased to present this analysis and discussion of Vermont's financial performance for the fiscal year ended June 30, 2022. 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 2022. 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 $588.6 million, comprised of $7.834 billion in total assets and $1.466 billion in deferred outflows offset by $7.965 billion in total liabilities, and $745.3 million in deferred inflows at June 30, 2022 (Table 2). Of this positive net position amount, $2.949 billion represents the net investment in capital assets, $896.2 million is restricted for various purposes, and $3.257 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 $641.9 million as a result of this year's operations. The net position for governmental activities increased $627 million and net position for business activities increased by $14.9 million (Table 3).

Fund level

Vermont's governmental funds reported a combined ending fund balance of $1.952 billion, an increase of $273.4 million or 16.3% above the prior year. Of this ending fund balance, $47.3 million is non-spendable, $565 million is restricted for specific purposes, and $1.340 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 ($194.4 million) and the Special Revenue Funds ($148.6 million), offset by a decrease in Capital Projects Funds ($60.4 million).

Vermont's enterprise funds reported a combined net position of $282.5 million, an increase of $15.2 million over last year.

Vermont's General Fund reported an ending fund balance of $847 million, of which $807.1 million is available for spending (assigned and unassigned).

Capital assets

The carrying amount of capital assets for the primary government increased to $3.410 billion, an increase of $166.7 million over last year. The increase is primarily due to increases in Construction in Process ($108.9 million), Infrastructure ($49.4 million) and Land, Land Use rights, and Land improvements ($5.2 million), and in fiscal year 2022, $82.9 million of intangible right-to-use lease assets were added due to the implementation of GASB 87, a new accounting standard for leases; the asset increases were offset by decreases in Machinery and Equipment ($52.8 million) and Buildings and Improvements ($27.0 million).

Long-term debt

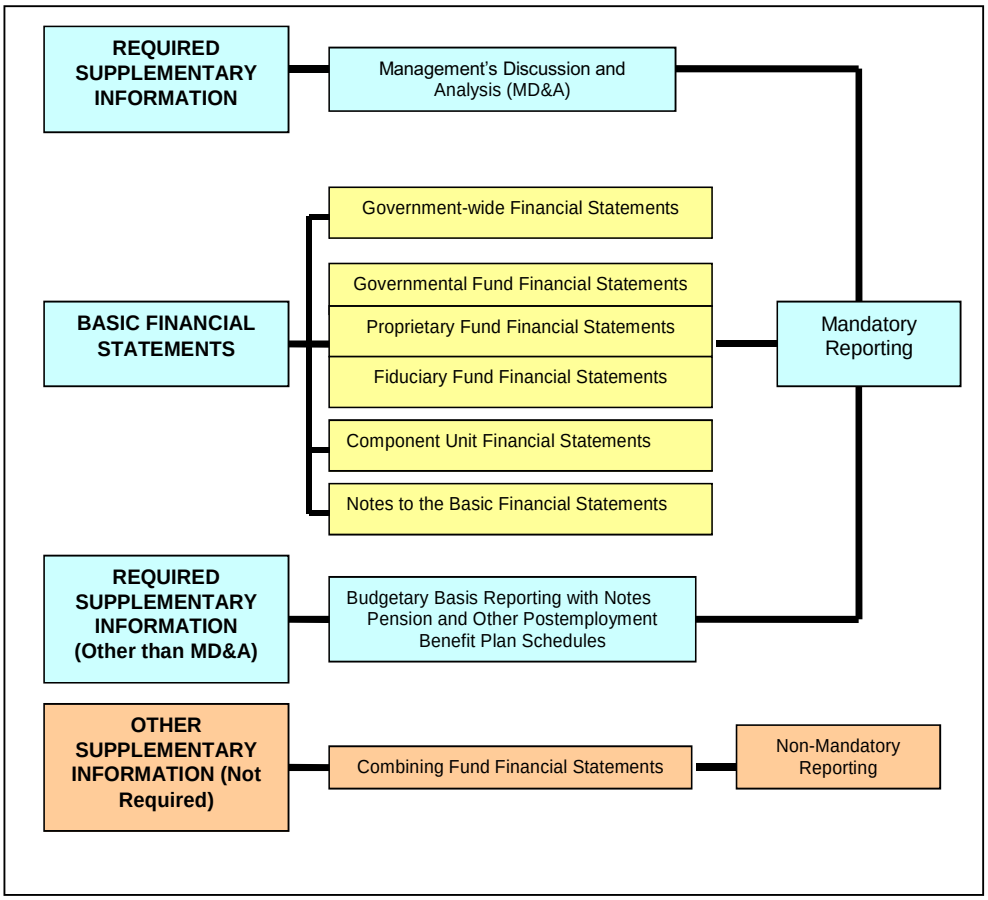
Vermont's debt outstanding for general and special obligation bonds decreased $72.4 million as compared to fiscal year 2021. In 2022, Vermont did not issue any bonds and retired $50.7 million in general obligation bonds and $21.7 million in special obligation bonds.

More information regarding the government-wide financial statements, fund 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.



Basic Financial Statements

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 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, and lease 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, and lease 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, and lease 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 and related notes, the Schedule of Investment Returns, the Schedule of Employer and Non-employer Contributions and related notes, 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 and related notes, The Schedule of Investment Returns, Schedule of Employer and Non-employer Contributions and related notes, 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, 2022 and 2021 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 $588.6 million at the end of fiscal year 2022, as shown in Table 2. Approximately $2,949 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 lease 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.

Capital assets net of accumulated depreciation increased by $166.7 million primarily due to an increase Construction in Process ($108.9 million), intangible right-to-use lease assets ($82.9 million), Infrastructure ($49.4 million) and Land, Land Use Rights, and Land Improvements ($5.2 million), and offset by Machinery and Equipment ($52.8 million) and Buildings and Improvements ($27.0 million).

An additional portion of the primary government's net position ($896.2 million) represents resources that are subject to external restrictions on how they may be used. This is an increase of $73.3 million and is primarily a result of additional amounts that are restricted for human services ($46.1 million), natural resources ($17.8 million), protection to persons and property ($11.9 million), and unemployment ($10.2 million); offset by a decrease for commerce and community development ($11.8 million), and debt service ($2.5 million).

Internally imposed designations of resources are not presented as restricted net position. The remaining balance of unrestricted net position is a deficit of $3.257 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, $227.1 million outstanding at June 30, 2022, that does not result in a governmental activities' capital asset.

Current assets increased by $1,132.7 million primarily due to increases in cash and cash equivalents ($1,064.2 million), federal grants receivable ($69.5 million), taxes receivable ($9.2 million), receivables from component units ($2.9 million), inventories ($1.8 million), other current assets ($1.3 million), and leases receivable ($1.1 million); offset by decreases in other receivables ($11.5 million), investments ($5.1 million), and loans and notes receivable ($698 thousand). The increase in cash & cash equivalents is largely due to the federal assistance Vermont received through the American Rescue Plan Act of 2021 (ARPA) passed by Congress to provide continuing economic recovery from the impact of the COVID-19 pandemic.

Long term liabilities decreased by $455.5 million primarily due to the decreases in net pension liabilities and net other postemployment benefit liabilities ($437.6 million), bonds, and notes payable ($81.3 million) and in other long-term liabilities ($2.8 million) offset by increases in lease liability ($72.8 million) and claims and judgements ($2.1 million).

At the end of fiscal year 2022, 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	
	2022	2021	2022	2021	2022	2021
ASSETS						
Current assets	$ 3,490.7	$ 2,348.4	$ 364.9	$ 374.5	$ 3,855.6	$ 2,722.9
Other assets	567.5	487.8	1.0	1.4	568.5	489.2
Capital assets	3,406.3	3,239.2	3.3	3.8	3,409.6	3,243.0
Total assets	7,464.5	6,075.4	369.2	379.7	7,833.7	6,455.1
DEFERRED OUTFLOWS OF RESOURCES						
Total deferred outflows of resources	1,458.9	1,372.2	6.6	8.0	1,465.5	1,380.2
LIABILITIES						
Current liabilities	1,940.4	1,049.6	70.7	91.2	2,011.1	1,140.8
Long-term liabilities	5,942.5	6,387.1	11.7	22.6	5,954.2	6,409.7
Total liabilities	7,882.9	7,436.7	82.4	113.8	7,965.3	7,550.5
DEFERRED INFLOWS OF RESOURCES						
Total deferred inflows of resources	734.3	333.6	11.0	6.4	745.3	340.0
NET POSITION						
Net Investment in capital assets	2,945.7	2,879.1	3.3	3.8	2,949.0	2,882.9
Restricted	620.0	562.5	276.2	260.4	896.2	822.9
Unrestricted (deficit)	(3,259.5)	(3,764.4)	2.9	3.3	(3,256.6)	(3,761.1)
Total net position	$ 306.2	$ (322.8)	$ 282.4	$ 267.5	$ 588.6	$ (55.3)

Totals may not add due to rounding.

Changes in Net Position

Governmental type activities had an overall increase in net position of $627 million, or a 195.4% increase in the net position, resulting from an operating profit of $572.2 million and net transfers in from business-type activities of $54.8 million. The $114.5 million increase in revenues over 2021 was due to an increase of $324.3 million in general revenues; offset by a decrease of $209.8 million in program revenues. The decrease in program revenue is largely due to the winding down CARES Act funding to address the pandemic. The increase in general revenues is largely due to increased tax collections from Vermont's improving economy.

Business-type activities had an overall increase in net position of $14.9 million or 5.6% resulting from an operating profit of $69.7 million before net transfers out of $54.8 million to governmental activities; primarily from the Lottery ($31.1 million) to support education and a $22.8 million transfer from Liquor Control Fund to the General Fund. Revenues decreased $563.7 million from 2021, primarily due to a decrease in unemployment federal grants ($559.8 million). Lottery ticket sales decreased by $10.1 million and liquor sales increased by $6.3 million.

The primary government condensed financial statement information is derived from Vermont's June 30, 2022 and 2021 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.

As of July 1, 2021, the beginning net position for the Governmental Activities was restated for the implementation of GASB 87, a new accounting standard for leases.

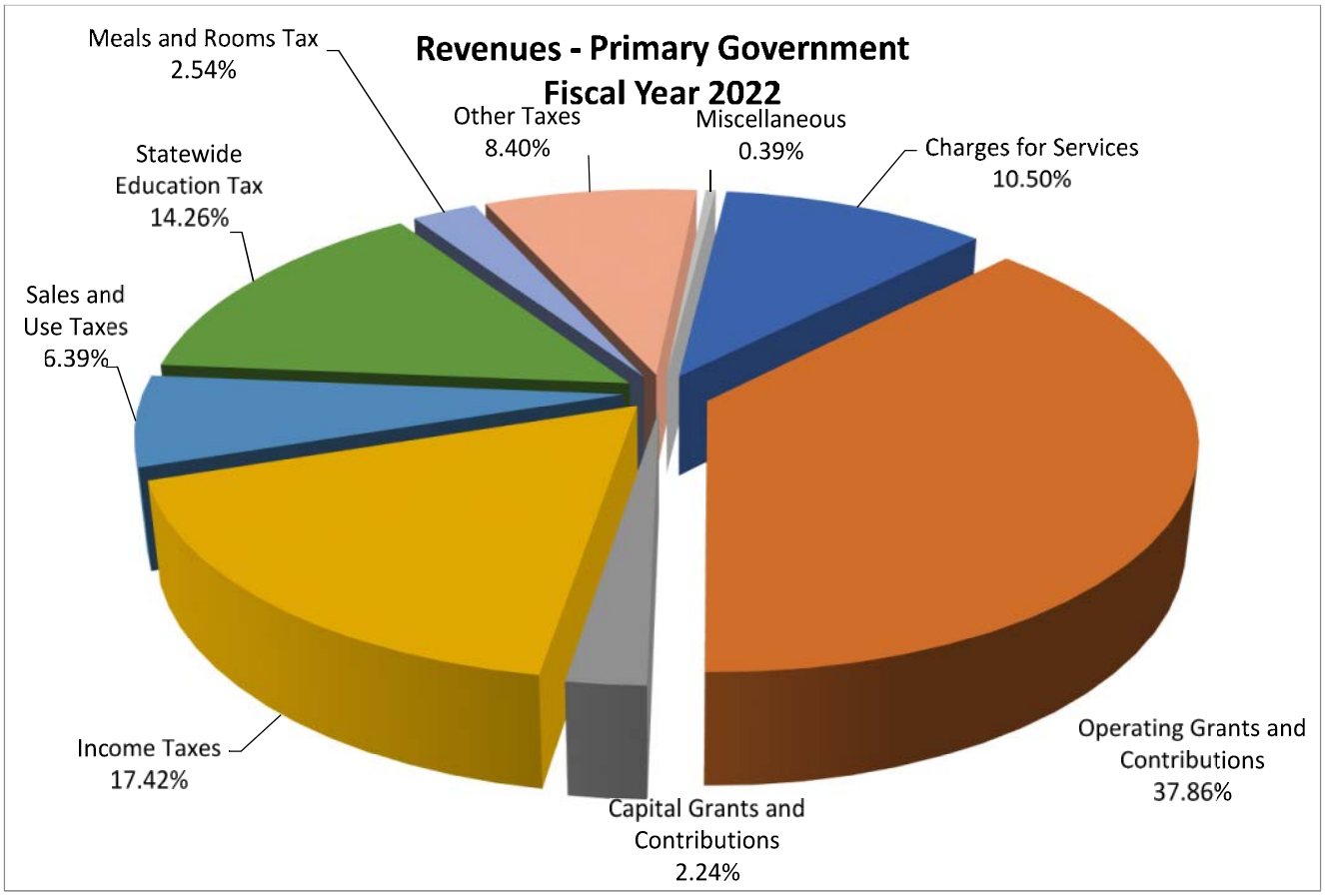
TABLE 3
State of Vermont's Changes in Net Position
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues						
Charges for services	$ 515.5	$ 448.5	$ 389.0	$ 391.2	$ 904.5	$ 839.7
Operating grants and contributions	3,166.1	3,436.0	95.2	655.0	3,261.3	4,091.0
Capital grants and contributions	193.3	200.2	-	-	193.3	200.2
General revenues						
Income taxes	1,500.2	1,335.2	-	-	1,500.2	1,335.2
Sales and use taxes	550.3	509.7	-	-	550.3	509.7
Statewide education tax	1,228.8	1,197.5			1,228.8	1,197.5
Meals and rooms tax	218.7	146.1	-	-	218.7	146.1
Other taxes	723.3	711.0	-	-	723.3	711.0
Miscellaneous	29.9	27.4	3.9	5.7	33.8	33.1
Total revenues	8,126.1	8,011.6	488.2	1,051.9	8,614.3	9,063.5
Expenses						
General government	393.2	454.8	-	-	393.2	454.8
Protection to persons and property	632.8	512.4	-	-	632.8	512.4
Human services	3,117.7	3,053.7	-	-	3,117.7	3,053.7
Labor	42.3	132.8	-	-	42.3	132.8
General education	2,500.3	2,608.4	-	-	2,500.3	2,608.4
Natural resources	149.5	150.3	-	-	149.5	150.3
Commerce and community development	213.3	269.9	-	-	213.3	269.9
Transportation	490.4	478.8	-	-	490.4	478.8
Interest on long-term debt	14.4	17.6	-	-	14.4	17.6
Unemployment compensation	-	-	152.0	852.8	152.0	852.8
State lottery	-	-	120.4	129.7	120.4	129.7
Liquor control	-	-	80.8	76.3	80.8	76.3
Other business type expenses	-	-	65.3	62.1	65.3	62.1
Total expenses	7,553.9	7,678.7	418.5	1,120.9	7,972.4	8,799.6
Change in net position before transfers	572.2	332.9	69.7	(69.0)	641.9	263.9
Transfers net in (out)	54.8	55.4	(54.8)	(55.4)	(0.0)	-
Change in net position	627.0	388.3	14.9	(124.4)	641.9	263.9
Net position, beginning of year, as restated	(320.8)	(711.1)	267.5	391.9	(53.3)	(319.2)
Net position, end of year	$ 306.2	$ (322.8)	$ 282.4	$ 267.5	$ 588.6	$ (55.3)

Totals may not add due to rounding.

The following graph illustrates the revenues of Vermont's primary government for fiscal year 2022. Approximately 40.1% comes from other entities and governments in the form of operating and capital grants and contributions (primarily federal grant revenues), and 31.7% of total revenues are generated by the statewide education and income taxes.

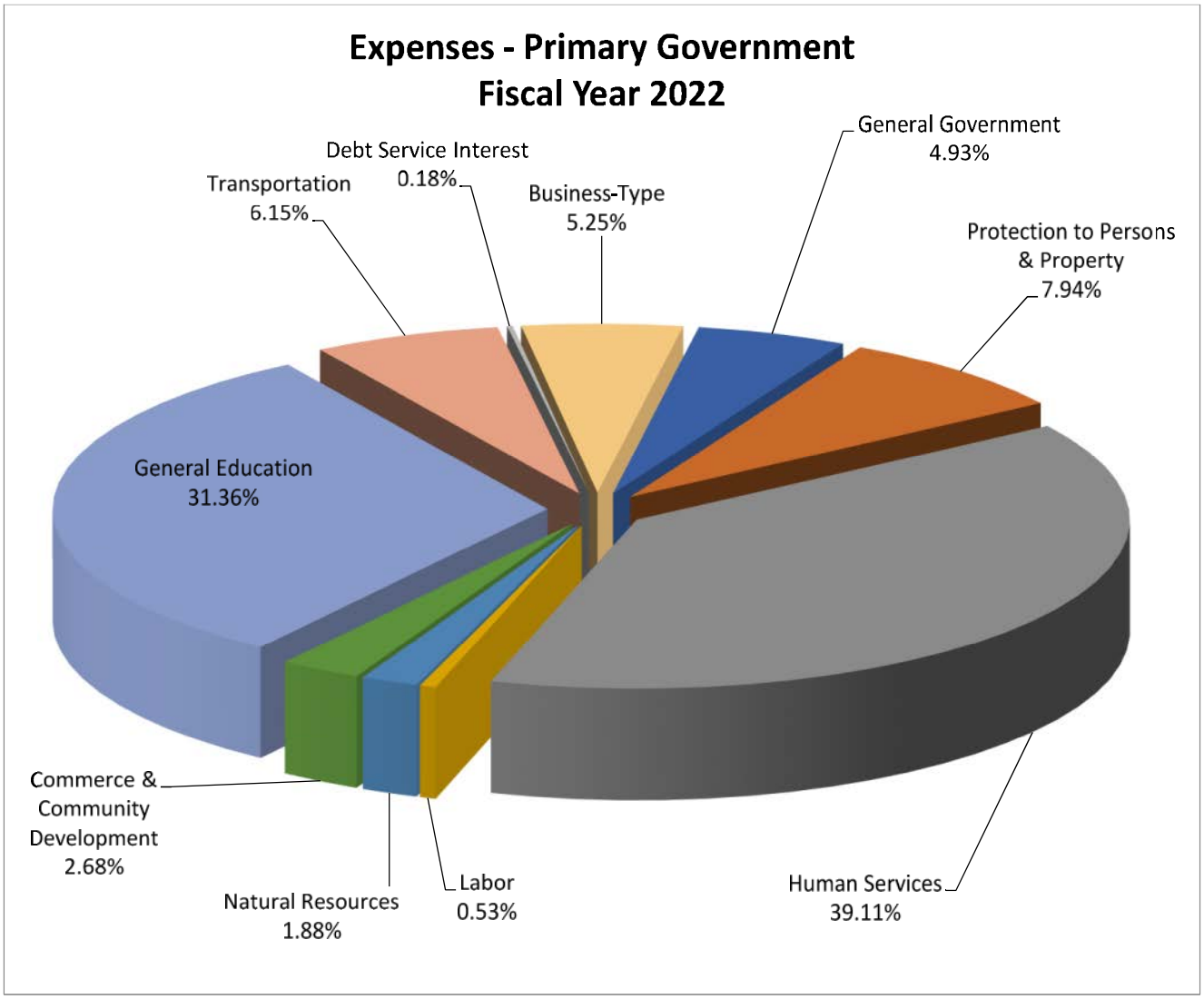
(Chart on next page.)



Percentages may not equal 100% due to rounding.

The following graph illustrates the percentages of total primary government expenses for fiscal year 2022. The largest category of expense is for human services (39.1% of total expense) 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 (31.4% of total expenses) which supports secondary and higher education.

(Chart on next page.)



Percentages may not equal 100% due to rounding.

Governmental Activities

In 2022, governmental activities' revenues exceeded expenses by $572.2 million (before transfers), the net transfers of $54.8 million from business activities resulted in an increase of $627 million, for a 195.4% increase in net position. Revenues increased by $114.5 million, primarily due to an increase in general revenues ($324.3 million); offset by a decrease in program revenues ($209.8 million). Spending increased for protection to persons and property ($120.4 million), human services ($64 million) and transportation ($11.6 million); offset by decreases in spending in general education ($108.1 million), labor ($90.5 million), general government ($61.6 million), and commerce and community development ($56.6 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) 2022	2021	Change
Charges for services	$ 515.5	$ 448.5	$ 67.0
Operating grants	3,166.1	3,436.0	(269.9)
Capital grants	193.3	200.2	(6.9)
Income taxes	1,500.2	1,335.2	165.0
Sales and use taxes	550.3	509.7	40.6
Statewide education tax	1,228.8	1,197.5	31.3
Meals and rooms tax	218.7	146.1	72.6
Other taxes	723.3	711.0	12.3
Miscellaneous	29.9	27.4	2.5
Total	$ 8,126.1	$ 8,011.6	$ 114.5

The following table provides a two-year comparison of governmental activities expenses:

TABLE 5

Expenses - Governmental Activities

Functional Category	(In Millions) 2022	2021	Change
General government	$ 393.2	$ 454.8	$ (61.6)
Protection to persons and property	632.8	512.4	120.4
Human services	3,117.7	3,053.7	64.0
Labor	42.3	132.8	(90.5)
General education	2,500.3	2,608.4	(108.1)
Natural resources	149.5	150.3	(0.8)
Commerce and community development	213.3	269.9	(56.6)
Transportation	490.4	478.8	11.6
Interest on long-term debt	14.4	17.6	(3.2)
Total	$ 7,553.9	$ 7,678.7	$ (124.8)

The following table shows to what extent program revenues (charges for services and grants and contributions) covered program expenses. For fiscal year 2022, program revenues covered $3,875 million or 51.3% of $7,554 million in program expenses. The remaining $3,679 million or 48.7% 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, 2022 and 2021

	Program Expenses 2022	Less Program Revenues 2022	Net Program (Expense)/Revenue 2022	Net Program (Expense)/Revenue 2021	Program Revenues as a Percentage of Program Expenses 2022	Program Revenues as a Percentage of Program Expenses 2021
Functions/programs						
General government	$ 393,180,124	$ 614,622,637	$ 221,442,513	$ 674,944,008	156.3%	248.4%
Protection to persons and property	632,820,458	306,610,074	(326,210,384)	(181,816,614)	48.5%	64.5%
Human services	3,117,728,877	2,066,787,333	(1,050,941,544)	(1,274,848,066)	66.3%	58.3%
Labor	42,286,428	30,929,140	(11,357,288)	(45,908,658)	73.1%	65.4%
General education	2,500,260,792	238,155,409	(2,262,105,383)	(2,432,302,968)	9.5%	6.8%
Natural resources	149,483,040	96,734,520	(52,748,520)	(47,809,209)	64.7%	68.2%
Commerce and community development	213,348,656	33,975,732	(179,372,924)	(257,942,765)	15.9%	4.4%
Transportation	490,366,849	486,923,732	(3,443,117)	(11,313,462)	99.3%	97.6%
Interest on long-term debt	14,449,660	170,292	(14,279,368)	(17,054,322)	1.2%	2.9%
	$ 7,553,924,884	$ 3,874,908,869	$(3,679,016,015)	$(3,594,052,056)	51.3%	53.2%

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 2022, the unrestricted fund balance is 68.6% 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 2022, Vermont's governmental funds reported combined fund balances of $1,952 million, an increase of $273.4 million in comparison with the prior fiscal year.

The General Fund is the chief operating fund of Vermont. At the end of fiscal year 2022, the General Fund's total fund balance was $847.0 million, which the majority is unassigned ($770.1 million). During 2022, total revenues and other financing sources were greater than total expenditures and other financing uses by $194.4 million.

General Fund revenues increased by $285.8 million, or 15.1% primarily due to a $274.6 million increase in tax revenues. Expenditures increased by $421.9 million or 40.4%, primarily due to a $170.2 million increase in general education, $111 million increase in commerce and community development, $62.3 million increase in human services, $39.9 million increase in protection to persons and property, $28.7 million increase in general government, and $9.2 million increase in natural resources. The General Fund's statutory reserve for budgetary stabilization increased by $5.2 million to $87.1 million, the statutory maximum.

The Transportation Fund's total fund balance was $55.4 million at June 30, 2022, an increase of $2.6 million from the fiscal year 2021's ending total fund balance. Transportation Fund revenues increased $27.7 million or 4.3%, primarily due to increases in federal grants ($16.1 million), motor fuel tax assessment ($4.6 million), fees ($4.5 million), purchase and use tax ($2.3 million), other taxes ($1.9 million), and other revenues ($1.0 million); offset by decrease in non-business licenses ($2.4 million). Transportation expenditures increased $50.9 million for transportation related projects. The Transportation Fund's statutory reserve for budget stabilization increased by

$2.0 million to $13.9 million, the statutory maximum.

The Education Fund at June 30, 2022 had a total fund balance of $266.9 million, an increase of $101.1 million from fiscal year 2021's ending balance. Education fund expenditures increased by $62.3 million, primarily due to an increase in other grants ($41.5 million) and grants to school districts ($19.9 million). Total revenues increased by $90.3 million, primarily due from increases in the sales and use taxes ($39.3 million), statewide education tax ($31.3 million), and meals and rooms taxes ($17.8 million). The Education Fund's statutory reserve for budget stabilization increased $1.1 million to $39.3 million.

The Special Fund's total fund balance at the end of fiscal year 2022 was $190.9 million, an increase of 21.6% compared to 2021. The Special Fund's total fund balance is comprised mostly of $246.2 million as committed, offset by a $73.3 million deficit in unassigned. Special Fund revenues increased $12.4 million or 3.9%, and expenditures increased $8.8 million or 2.8%. The increase in expenditures was primarily in the protection to persons and property function ($19.4 million), commerce and community development ($7.8 million), general government ($6.1 million), general education ($2.7 million), and transportation ($2.7 million); offset by a decreases in human services ($23.6 million) and natural resources ($6.1 million). This resulted in an increase in "excess of revenues over expenditures" of $3.5 million from last fiscal year. Fiscal year 2022 transfers out to other funds exceeded transfers in from other funds by $29.7 million. The Special Fund received transfers in of $132.7 million, in part, consisting of $4 million of Federal Revenue Fund monies from the earned federal receipts; $29 million matching funds for school-based Medicare services from the Global Commitment Fund; from the General Fund: $50.2 million for technology modernization, $25 million for capital expenditures, $12.5 million for the environmental related uses; and $4 million from the Transportation Fund for transportation related improvements in downtown centers. Transfers out of $102.9 million consisted primarily of $59.8 million from the securities, insurance, & captive funds to the General Fund; $28.4 million for Vermont's payment for Medicaid coverage under the Global Commitment to Health Medicaid waiver; $11.5 million in Medicaid reimbursement to the Education Fund, and $2.6 million for the Secretary of State services to the General Fund.

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) 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 2022 were $1,749.5 million, a decrease of $442.1 million compared to fiscal year 2021's federal grant revenues. Expenditures were $1,732.6 million in fiscal year 2022, a decrease of $367.6 million compared to 2021. The decrease in expenditures is largely due to the winding down CARES Act funding to address the pandemic, offset with an increase ARPA funding to provide continuing economic recovery from the impact of the COVID-19 pandemic. The Federal Revenue Fund's total fund balance at the end of fiscal year 2022 ($523.8 million) was an increase of $19.4 million as compared to the total fund balance at the end of fiscal year 2021.

The fiscal year 2022 ending total fund balance for the Global Commitment Fund was $20.4 million, a decrease of $9.0 million. Expenditures exceeded revenues and net transfers by $9.0 million.

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 $253.5 million at June 30, 2021 to $263.6 million at June 30, 2022, an increase of $10.2 million. Expenditures from the fund for unemployment benefits decreased by $700.9 million from 2021.

Vermont's internal service funds' total net position at June 30, 2022 was $66.2 million, a $9.6 million decrease from June 30, 2021. This change is primarily due to increases in net position in the property management fund ($8.7 million), state liability fund ($5.6 million), highway garage fund ($4.0 million), and the offender work program fund ($1.3 million); offset by decreases in medical insurance fund ($28.7 million) and the information technology

fund ($3.0 million). It should be remembered that the internal service funds' activity has been 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 decreased by 5.4 percent to $5.75 billion at June 30, 2022. For more information regarding the Vermont's retirement and other postemployment benefit plans, see Note IV.G.4 to the financial statements. The Unclaimed Property fund's total assets balance at June 30, 2022 is $20.7 million, and total liabilities balance is $11.3 million, including the escheat property claims liability estimated at $11.2 million, resulting in ending net position of $9.4 million. The Custodial Funds' total assets balance at June 30, 2022 is $11.8 million, and total liabilities balance is $8.6 million, resulting in an ending net position of $3.2 million. Net position of all fiduciary funds is reported as restricted for particular purposes.

GENERAL FUND BUDGET HIGHLIGHTS

Vermont ended fiscal year 2022 with General Fund revenues of $2.123 billion, expenditures of $1.815 billion, and net transfers to other funds of $53.8 million (non-GAAP budgetary basis). This was a $171 million increase in revenues over the previous year. The fiscal year 2022 General Fund consensus revenue forecast initially approved by the Emergency Board in 2021 was subsequently revised upward by the Emergency Board at their January 2022 meeting. Compared to target, the revenues were 14.5% above the 2021 revenue forecast of $1,854 million, and 11.9% above the 2022 revised revenue forecast of $1,898 million.

Personal income tax receipts were $164.3 million above target, corporate income tax receipts were $44.4 million and meals and rooms tax $13.3 million above target; offset by, estate tax receipts were $8.6 million below target. The General Fund results allowed for a fully funded General Fund Budget Stabilization Reserve of $87.1 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, 2022 was $3.410 billion, a total increase of 5.1% (Table 7). This investment in capital assets includes land, land use rights, land improvements, buildings and 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.)

TABLE 7
Capital Assets at Fiscal Year End
(Net of depreciation, amounts in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Land, Land Use Rights, and Land Improvements	$ 170,322	$ 165,083	$ -	$ -	$ 170,322	$ 165,083
Construction in Progress	761,272	652,380	-	-	761,272	652,380
Works of Art	136	136	-	-	136	136
Buildings and Improvements	397,779	424,772	-	-	397,779	424,772
Machinery and Equipment	125,985	178,355	3,309	3,767	129,294	182,122
Intangible right-to-use lease assets	82,917	-	-	-	82,917	-
Infrastructure	1,867,870	1,818,436	-	-	1,867,870	1,818,436
Totals	$ 3,406,281	$ 3,239,162	$ 3,309	$ 3,767	$ 3,409,590	$ 3,242,929

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, 2022, Vermont had $227.1 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 2022, the State of Vermont's outstanding general and special obligation bond debt decreased by approximately $72.4 million. This decrease can be accounted for by the redemption of general obligation bonds of $50.7 million and $21.7 million in special obligation bonds. 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 the 2021 and 2022 calendar years, developments in Vermont's economy were dominated by the recovery from the recession in early calendar year 2020 caused by the COVID-19 pandemic. During the sharp but brief period of economic decline at the onset of the pandemic, Vermont's economy and labor markets lost an historically large number of non-farm payroll jobs. An estimated 63,500 jobs disappeared, which equates to approximately 1 in 5 jobs at pre-pandemic employment levels. As of June 2022, Vermont had recovered approximately 50,000 of those lost jobs corresponding to just over three-quarters of the total number of nonfarm payroll jobs lost during the pandemic. That pace of job recovery compared to an 88 percent recovery rate across the New England region and was slower than the U.S. nonfarm payroll job recovery rate of 94 percent through

June 2022 for the nation. During the pandemic, Vermont's job losses were particularly significant in the parts of the economy where remote work and social distancing were difficult. This includes the state's Leisure and Hospitality sector, the traditional "bricks and mortar" Retail sector, the Health Care industry, and the Entertainment sector. In the pandemic's aftermath, the slower pace of the state's labor market recovery has been tied to the lack of available workers. As of June 2022, the Vermont labor force was more than four percent smaller than the pre-pandemic labor force.

In calendar year 2021, 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. Recent economic developments have been driven by the push and pull between the federal fiscal stimulus and rising interest rates due to the U.S. Federal Reserve efforts to fight inflation. Through June 2022, fiscal stimulus has remained the dominant economic driver nationally and in Vermont. However, given the extraordinary policy pivot by the U.S. Federal Reserve toward a more restrictive tightening posture, it is very likely only a matter of time before the economy is brought to heel.

Vermont continues to face significant demographic challenges in its labor market. The consensus economic forecast expects Vermont payroll job growth to be 2.8 percent in calendar year 2022, before falling to an annual average growth rate of 1.3 percent and 1.0 percent in 2023 and 2024, respectively. Those numbers compare to the 2.7 percent, 1.4 percent, and 2.3 percent nonfarm payroll job growth rate forecast for the U.S. economy in calendar years 2022, 2023, and 2024, respectively. Although the forward pace of Vermont's economy is expected to lag a bit behind the U.S. average for at least some performance metrics during calendar years 2023 and 2024, the State is expected to compare favorably in terms of its rate of unemployment over the period.

The latest consensus analysis of Vermont's housing markets indicates the housing markets are cooling. The latest quarterly Federal Housing Finance Agency house price numbers for the July to September 2022 period show a deceleration relative to the April to June quarter of 2022, but the data still showed a very strong year-over-year median increase in house prices (at 19 percent in Vermont for the July to September quarter of 2022; but down from the 21 percent year-over-year median house price increase for the April to June 2022 timeframe). For Vermont, the Federal Housing Finance Agency forecasts house price increases of 13.4 percent, 5.6 percent, and 2.6 percent for calendar years 2022, 2023, and 2024, respectively.

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 2022, the consensus revenue forecast for fiscal year 2023 called for "Revenues Available to the General Fund" to total $2,061.0 million, which is a $138.2 million upgrade for fiscal year 2023 in comparison to the previous January's consensus revenue forecast of $1,922.8 million. For fiscal year 2024, the consensus forecast of "Revenues Available to the General Fund" was for an upgrade to $1,978.3 million, an upgrade of $31.9 million from the previous January's consensus revenue forecast of $1,946.4 million. The July 2022 consensus revenue forecast for "Revenues Available to the Transportation Fund" for fiscal year 2023 was $300.1 million, which was a $3.2 million downgrade for fiscal year 2023 revenue expectations in comparison to the previous January's consensus revenue forecast of $303.3 million. For fiscal year 2024, "Revenues Available to the Transportation Fund" were forecasted to be $301.4 million, a $1.1 million downgrade from the previous January's consensus revenue forecast of $302.5 million. The July 2022 consensus revenue forecast for "Revenues Available to the Education Fund" for fiscal year 2023 were estimated to be $699.7 million, which corresponded to an $11.4 million upgrade for fiscal year 2023 in comparison to last January's revenue forecast of $688.3 million. For fiscal year 2024, the consensus forecast for "Revenues Available to the Education Fund" were upgraded to $707.2 million, an increase of $14.0 million from the previous January's consensus revenue forecast of $693.2 million. The assumptions used in the forecasts described above are subject to a higher than normal level of uncertainty. This is due to the dominant, largely temporary, support of federal pandemic financial aid that is still working its way into and through the Vermont economy, and the crosscurrents of fiscal stimulus and tighter monetary policy that will play out over the next several years.

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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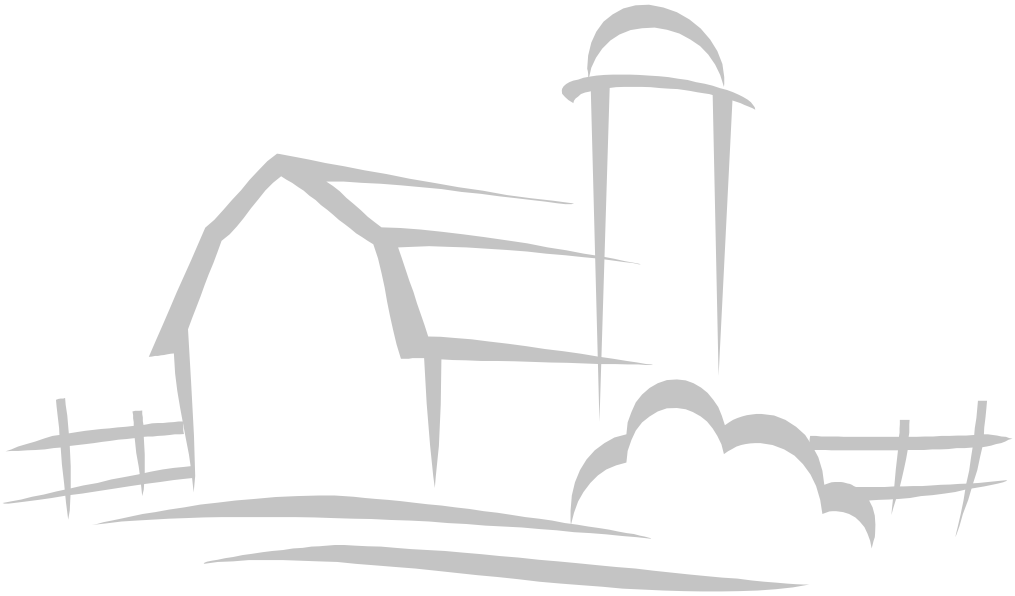

Vermont

GOVERNMENTAL-WIDE FINANCIAL STATEMENTS

STATE OF VERMONT
STATEMENT OF NET POSITION
June 30, 2022

	Primary Government			Discretely Presented
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Current Assets				
Cash and cash equivalents	$ 2,559,146,131	$ 322,635,735	$ 2,881,781,866	$ 494,510,347
Cash and cash equivalents - restricted	-	-	-	56,945,000
Taxes receivable, net	151,498,147	22,344,423	173,842,570	-
Loans and notes receivable, net	27,094,897	433,116	27,528,013	189,601,973
Federal grants receivable	489,769,086	659,123	490,428,209	8,437,645
Other receivables, net	60,530,148	15,148,348	75,678,496	97,068,706
Lease receivable	1,144,338	-	1,144,338	1,221,000
Investments	179,825,941	-	179,825,941	283,710,616
Inventories	3,429,282	10,587,698	14,016,980	526,199
Internal balances	6,920,553	(6,920,553)	-	-
Due from primary government	-	-	-	106,576,538
Due from component units	6,162,510	-	6,162,510	-
Other current assets	5,164,900	15,013	5,179,913	21,082,348
Total current assets	3,490,685,933	364,902,903	3,855,588,836	1,259,680,372
Noncurrent Assets				
Cash and equivalents	-	-	-	896,203
Cash and cash equivalents - restricted	-	-	-	55,118,419
Taxes receivable	201,049,814	-	201,049,814	-
Other receivables	93,690,415	-	93,690,415	-
Loans and notes receivable	263,913,011	549,795	264,462,806	1,660,907,732
Lease receivable	3,336,194	-	3,336,194	16,167,000
Advances to component units	5,500,000	-	5,500,000	-
Investments	-	492,671	492,671	985,323,071
Investments - restricted	-	-	-	94,288,643
Other noncurrent assets	-	-	-	24,045,985
Capital assets				
Land, land use rights, and land improvements	170,322,373	-	170,322,373	53,017,518
Construction in progress	761,272,009	-	761,272,009	100,827,379
Works of art	136,003	-	136,003	-
Capital assets being depreciated:				
Infrastructure	3,305,962,922	-	3,305,962,922	42,538,036
Intangible right-to-use lease assets	95,057,441	-	95,057,441	24,507,021
Property, plant and equipment	1,368,363,810	6,118,489	1,374,482,299	1,616,595,247
Less accumulated depreciation	(2,294,833,850)	(2,809,302)	(2,297,643,152)	(907,354,067)
Total capital assets, net of depreciation	3,406,280,708	3,309,187	3,409,589,895	930,131,134
Total noncurrent assets	3,973,770,142	4,351,653	3,978,121,795	3,766,878,187
Total assets	7,464,456,075	369,254,556	7,833,710,631	5,026,558,559
DEFERRED OUTFLOWS OF RESOURCES				
Loss on refunding of bonds payable	2,641,926	-	2,641,926	26,864,264
Interest rate swap	-	-	-	62,000
Subscription-based information technology arrangements	-	-	-	610,000
VHCB related deferred outflows	-	-	-	30,108,000
Pension related outflows	1,008,294,312	2,638,646	1,010,932,958	5,965,422
OPEB related outflows	447,986,343	3,980,780	451,967,123	110,759,838
Total deferred outflows of resources	1,458,922,581	6,619,426	1,465,542,007	174,369,524

The accompanying notes are an integral part of these financial statements.

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Current Liabilities				
Accounts payable and other current liabilities	457,915,817	17,359,855	475,275,672	223,355,624
Income tax refunds payable	131,207,978	-	131,207,978	-
Due to primary government	-	-	-	6,162,510
Due to component units	106,576,538	-	106,576,538	-
Intergovernmental payable - due to federal government	25,902,497	-	25,902,497	-
Accrued interest payable	8,775,095	-	8,775,095	4,997,871
Current portion of long-term liabilities	142,714,018	9,114,877	151,828,895	160,128,105
Unearned revenue	1,067,312,611	44,201,528	1,111,514,139	76,230,075
Total current liabilities	1,940,404,554	70,676,260	2,011,080,814	470,874,185
Long-term Liabilities				
Lottery prize awards payable	-	285,777	285,777	-
Bonds, and notes payable	567,486,652	-	567,486,652	2,078,426,778
Lease liabilities	72,755,169	-	72,755,169	16,384,810
Advances from primary government	-	-	-	5,500,000
Compensated absences	5,231,235	81,130	5,312,365	-
Claims and judgments	39,614,584	-	39,614,584	-
Net pension liabilities	2,506,523,421	5,542,643	2,512,066,064	13,251,411
Net other postemployment benefits liabilities	2,734,591,594	4,166,022	2,738,757,616	607,009,435
Other long-term liabilities	16,302,354	1,679,842	17,982,196	22,801,146
Total long-term liabilities	5,942,505,009	11,755,414	5,954,260,423	2,743,373,580
Total liabilities	7,882,909,563	82,431,674	7,965,341,237	3,214,247,765
DEFERRED INFLOWS OF RESOURCES				
Prepaid property taxes	2,587,492	-	2,587,492	-
Gain on refunding of bonds payable	53,930	-	53,930	9,868,000
Lease related inflows	4,746,654	-	4,746,654	18,249,522
Interest rate swap	-	-	-	234,000
Service concession arrangement	-	-	-	854,000
Split interest arrangements	-	-	-	4,041,000
Pension related inflows	488,023,582	1,884,151	489,907,733	4,636,112
OPEB related inflows	238,904,569	9,135,972	248,040,541	207,847,908
Total deferred inflows of resources	734,316,227	11,020,123	745,336,350	245,730,542
NET POSITION				
Net investment in capital assets	2,945,702,608	3,309,187	2,949,011,795	250,420,864
Restricted for				
Unemployment compensation	-	263,648,314	263,648,314	-
Funds held in permanent investments				
Expendable	96,241	-	96,241	503,806,377
Nonexpendable	7,416,453	-	7,416,453	381,920,476
General government	1,386,935	-	1,386,935	13,508,892
Protection to persons and property	7,574,739	12,566,303	20,141,042	-
Human services	130,882,422	-	130,882,422	1,819,045
Labor	4,461,898	-	4,461,898	-
General education	820,075	-	820,075	58,270,000
Natural resources	465,863,297	-	465,863,297	-
Commerce and community development	526,477	-	526,477	525,479,040
Transportation	246,246	-	246,246	-
Debt service	721,241	-	721,241	-
Unrestricted (deficit)	(3,259,545,766)	2,898,381	(3,256,647,385)	5,725,082
Total net position	$ 306,152,866	$ 282,422,185	$ 588,575,051	$ 1,740,949,776

STATE OF VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

		Program Revenues		
	Expenses	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
FUNCTIONS/PROGRAMS				
Primary Government				
Governmental activities				
General government	$ 393,180,124	$ 74,144,268	$ 540,478,369	$ -
Protection to persons and property	632,820,458	171,411,055	135,199,019	-
Human services	3,117,728,877	87,606,678	1,979,180,655	-
Labor	42,286,428	3,413,449	27,515,691	-
General education	2,500,260,792	1,288,256	236,867,153	-
Natural resources	149,483,040	48,723,256	48,011,264	-
Commerce and community development	213,348,656	514,722	33,461,010	-
Transportation	490,366,849	128,424,270	165,190,325	193,309,137
Interest on long-term debt	14,449,660	-	170,292	-
Total governmental activities	7,553,924,884	515,525,954	3,166,073,778	193,309,137
Business-type activities				
State Lottery	120,392,245	151,470,836	-	-
Liquor Control	80,770,843	102,788,576	-	-
Unemployment Compensation	151,968,477	62,420,883	95,218,506	-
Electric power sales and efficiency	64,960,577	72,035,414	-	-
Federal surplus property	288,269	284,489	-	-
Total business-type activities	418,380,411	389,000,198	95,218,506	-
Total primary government	$ 7,972,305,295	$ 904,526,152	$ 3,261,292,284	$ 193,309,137
Component Units				
Vermont Student Assistance Corporation	$ 61,859,000	$ 28,802,000	$ 36,455,000	$ -
University of Vermont and State Agricultural College	745,702,000	468,353,000	347,325,000	3,076,000
Vermont State Colleges	209,999,474	99,381,299	141,135,042	2,003,663
Vermont Housing Finance Agency	33,487,000	3,332,000	18,108,000	-
Other	104,763,615	57,502,734	44,041,553	103,985,097
Total component units	$ 1,155,811,089	$ 657,371,033	$ 587,064,595	$ 109,064,760

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, 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	
$ 221,442,513	$ -	$ 221,442,513	$ -
(326,210,384)	-	(326,210,384)	-
(1,050,941,544)	-	(1,050,941,544)	-
(11,357,288)	-	(11,357,288)	-
(2,262,105,383)	-	(2,262,105,383)	-
(52,748,520)	-	(52,748,520)	-
(179,372,924)	-	(179,372,924)	-
(3,443,117)	-	(3,443,117)	-
(14,279,368)	-	(14,279,368)	-
(3,679,016,015)	-	(3,679,016,015)	-
-	31,078,591	31,078,591	-
-	22,017,733	22,017,733	-
-	5,670,912	5,670,912	-
-	7,074,837	7,074,837	-
-	(3,780)	(3,780)	-
-	65,838,293	65,838,293	-
(3,679,016,015)	65,838,293	(3,613,177,722)	-
-	-	-	3,398,000
-	-	-	73,052,000
-	-	-	32,520,530
-	-	-	(12,047,000)
-	-	-	100,765,769
-	-	-	197,689,299
1,500,228,202	-	1,500,228,202	-
550,261,176	-	550,261,176	-
218,661,649	-	218,661,649	-
137,302,034	-	137,302,034	-
74,080,188	-	74,080,188	-
1,228,803,017	-	1,228,803,017	-
511,913,687	-	511,913,687	10,804,840
4,221,249,953	-	4,221,249,953	10,804,840
2,274,151	3,865,469	6,139,620	(58,952,764)
26,177,953	-	26,177,953	-
1,483,338	18,808	1,502,146	5,886,352
-	-	-	2,046,272
54,832,458	(54,832,458)	-	-
4,306,017,853	(50,948,181)	4,255,069,672	(40,215,300)
627,001,838	14,890,112	641,891,950	157,473,999
(320,848,972)	267,532,073	(53,316,899)	1,583,475,777
$ 306,152,866	$ 282,422,185	$ 588,575,051	$ 1,740,949,776

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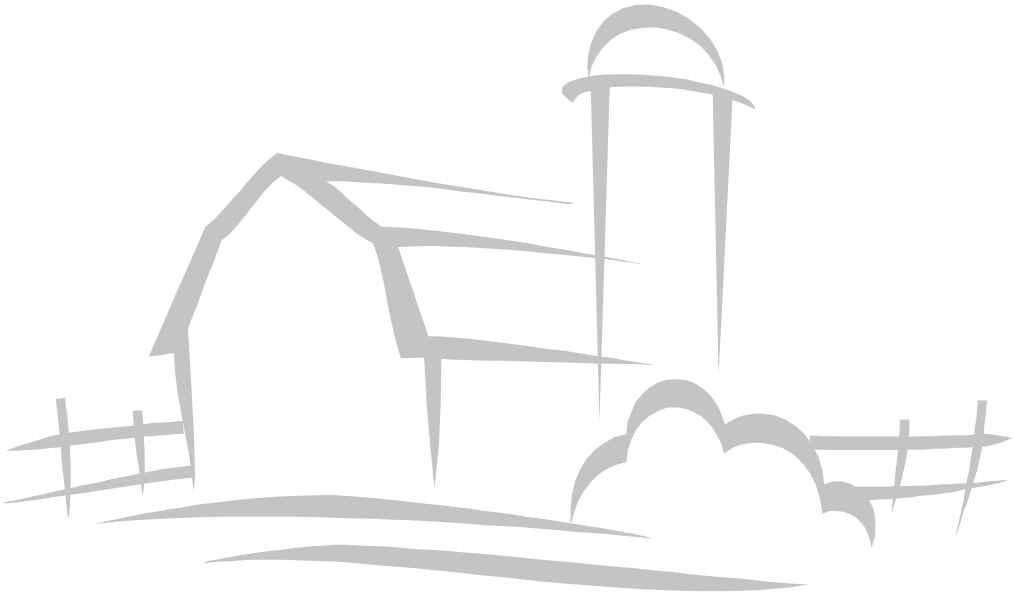

Vermont

GOVERNMENTAL FUNDS
FINANCIAL STATEMENTS

STATE OF VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022

	General Fund	Transportation Fund	Education Fund	Special Fund
ASSETS				
Cash and cash equivalents	$ 939,333,896	$ 20,405,198	$ 236,631,165	$ 308,095,094
Investments	-	-	-	3,782,206
Receivables				
Taxes receivable, net	280,434,540	772,557	69,289,895	2,048,339
Accrued interest receivable	895,801	109,658	-	3,375
Notes and loans receivable	22,754,532	2,264,359	-	3,778,474
Other receivables, net	22,146,300	8,344,207	2,212,219	73,077,076
Lease receivable	-	3,236,549	-	596,364
Intergovernmental receivables - federal government, net	-	102,510,201	-	-
Due from other funds	3,369,312	239,227	117,362	33,000,806
Due from component units	6,162,510	-	-	-
Interfund receivable	44,699,702	-	-	-
Advances to other funds	300,075	-	-	-
Advances to component units	5,500,000	-	-	-
Total assets	$ 1,325,596,668	$ 137,881,956	$ 308,250,641	$ 424,381,734
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 39,424,105	$ 62,979,203	$ 30,529,112	$ 25,861,443
Accrued liabilities	14,488,531	4,030,685	-	4,113,012
Retainage payable	557,630	78,660	-	438,682
Due to other funds	65,606,851	4,364,061	37,632	7,733,255
Due to component units	100,695,864	-	-	-
Intergovernmental payable - federal government	-	-	-	-
Tax refunds payable	35,576,914	-	363,203	12,372
Interfund payable	-	-	-	-
Unearned revenue	-	149,051	-	131,025,985
Total liabilities	256,349,895	71,601,660	30,929,947	169,184,749
DEFERRED INFLOWS OF RESOURCES				
Prepaid property taxes	-	-	2,587,492	-
Unavailable revenue	222,275,183	7,419,141	7,788,947	63,697,005
Leases	-	3,466,151	-	632,537
Total deferred inflows of resources	222,275,183	10,885,292	10,376,439	64,329,542
FUND BALANCES				
Nonspendable				
Advances	5,800,075	-	-	-
Long-term receivables	34,038,312	-	-	-
Permanent fund principal	-	-	-	-
Restricted	-	246,246	-	17,998,741
Committed	-	55,148,758	266,944,255	246,200,068
Assigned	36,997,625	-	-	-
Unassigned	770,135,578	-	-	(73,331,366)
Total fund balances	846,971,590	55,395,004	266,944,255	190,867,443
Total liabilities, deferred inflows and fund balances	$ 1,325,596,668	$ 137,881,956	$ 308,250,641	$ 424,381,734

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
$ 934,068,651	$ 8,138	$ 17,976,413	$ -	$ 2,456,518,555
134,065,919	-	41,977,816	-	179,825,941
-	-	2,630	-	352,547,961
38,304	-	3	-	1,047,141
259,374,712	-	-	-	288,172,077
2,289,464	31,396,788	59,134	-	139,525,188
-	-	23,025	-	3,855,938
305,574,738	81,607,049	77,098	-	489,769,086
1,044,979	60,425,993	-	(97,165,162)	1,032,517
-	-	-	-	6,162,510
-	-	-	-	44,699,702
-	-	-	-	300,075
-	-	-	-	5,500,000
$ 1,636,456,767	$ 173,437,968	$ 60,116,119	$ (97,165,162)	$ 3,968,956,691
$ 102,174,878	$ 140,198,215	$ 4,695,674	$ -	$ 405,862,630
7,054,815	1,087,973	567,434	-	31,342,450
3,311,412	-	1,293,065	-	5,679,449
38,238,690	1,847,022	190,500	(97,165,162)	20,852,849
76,492	-	5,804,182	-	106,576,538
25,902,497	-	-	-	25,902,497
-	-	-	-	35,952,489
-	-	27,338	-	27,338
935,860,124	-	64,536	-	1,067,099,696
1,112,618,908	143,133,210	12,642,729	(97,165,162)	1,699,295,936
-	-	-	-	2,587,492
-	9,868,596	7,113	-	311,055,985
-	-	29,756	-	4,128,444
-	9,868,596	36,869	-	317,771,921
-	-	-	-	5,800,075
-	-	-	-	34,038,312
-	-	7,416,453	-	7,416,453
523,837,859	20,436,162	2,464,970	-	564,983,978
-	-	44,348,230	-	612,641,311
-	-	-	-	36,997,625
-	-	(6,793,132)	-	690,011,080
523,837,859	20,436,162	47,436,521	-	1,951,888,834
$ 1,636,456,767	$ 173,437,968	$ 60,116,119	$ (97,165,162)	$ 3,968,956,691

STATE OF VERMONT
RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO THE
STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
June 30, 2022

Total fund balances from previous page	$ 1,951,888,834
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]	3,280,207,785
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	66,303,642
Amounts presented in the statement of net position relating to, but not in fund balances due to a different basis of accounting [1]	1,042,996,485
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]	(6,035,243,880)
Net position of governmental activities	$ 306,152,866

[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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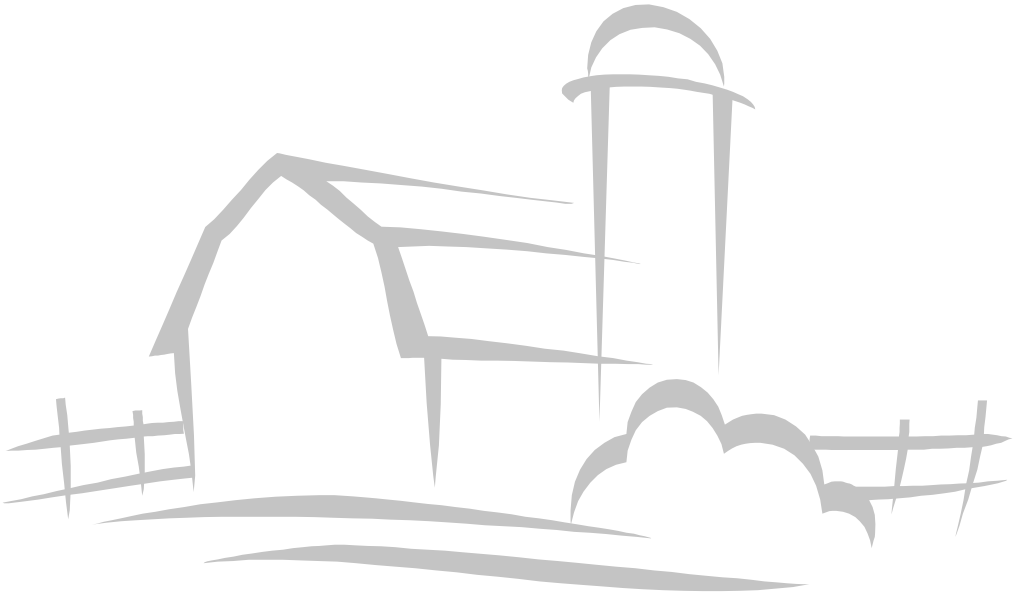

Vermont

STATE OF VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	General Fund	Transportation Fund	Education Fund	Special Fund
REVENUES				
Taxes				
Personal income tax	$ 1,282,385,277	$ -	$ -	$ 522,145
Corporate income tax	215,661,193	-	-	202,123
Sales and use tax	-	-	550,671,978	148,228
Meals and rooms tax	151,599,508	-	54,869,702	13,148,870
Motor fuels tax	-	71,889,123	-	1,363,974
Purchase and use tax	-	91,550,242	45,751,792	-
Statewide education tax	-	-	1,228,803,017	-
Other taxes	442,701,480	20,526,282	3,358,371	45,328,009
Earnings of departments				
Fees	42,703,546	23,738,934	-	114,001,929
Rents and leases	2,291	1,974,274	-	3,457,138
Sales of services	2,861,663	49,521	-	14,080,685
Federal grants	-	358,423,157	-	-
Fines, forfeits and penalties	3,509,144	2,235,703	-	5,462,320
Investment income/(loss)	3,345,694	74,575	289,776	(133,383)
Licenses				
Business	1,234,641	529,738	-	34,577,604
Non-business	79,570	93,487,387	-	3,208,288
Special assessments	21,844,379	-	-	15,629,494
Other revenues	12,092,404	3,124,248	-	76,535,551
Total revenues	2,180,020,790	667,603,184	1,883,744,636	327,532,975
EXPENDITURES				
General government	176,642,305	4,537,053	-	22,315,616
Protection to persons and property	178,429,613	18,914,991	-	106,351,695
Human services	474,589,087	-	-	107,854,607
Labor	4,795,430	-	-	2,623,781
General education	456,471,185	-	1,825,278,756	18,211,328
Natural resources	40,014,703	-	-	48,224,886
Commerce and community development	135,780,902	-	-	12,922,651
Transportation	244,539	614,098,043	-	4,850,359
Capital outlay	254,793	-	-	91,457
Debt service	113,038	-	-	7,200
Total expenditures	1,467,335,595	637,550,087	1,825,278,756	323,453,580
Excess of revenues over (under) expenditures	712,685,195	30,053,097	58,465,880	4,079,395
OTHER FINANCING SOURCES (USES)				
Leases	254,793	-	-	91,457
Transfers in	90,487,926	-	42,588,415	132,659,071
Transfers out	(609,040,626)	(27,406,791)	-	(102,940,917)
Total other financing sources (uses)	(518,297,907)	(27,406,791)	42,588,415	29,809,611
Net change in fund balances	194,387,288	2,646,306	101,054,295	33,889,006
Fund balances, July 1	652,584,302	52,748,698	165,889,960	156,978,437
Fund balances, June 30	$ 846,971,590	$ 55,395,004	$ 266,944,255	$ 190,867,443

The accompanying notes are an integral part of these statements.

Federal Revenue Fund	Global Commitment Fund	Non-major Governmental Funds	Eliminations	Total Governmental Funds
$ -	$ -	$ -	$ -	$ 1,282,907,422
-	-	-	-	215,863,316
-	-	-	-	550,820,206
-	-	-	-	219,618,080
-	-	827,091	-	74,080,188
-	-	-	-	137,302,034
-	-	-	-	1,228,803,017
-	-	-	-	511,914,142
-	-	156,432	-	180,600,841
-	-	56,933	-	5,490,636
-	-	472	-	16,992,341
1,749,483,605	1,226,458,982	8,767,570	-	3,343,133,314
-	-	9,738	-	11,216,905
575,573	-	(6,108,340)	-	(1,956,105)
-	-	770	-	36,342,753
-	-	8,017,383	-	104,792,628
-	-	-	-	37,473,873
3,145,572	13,164,000	2,014,224	-	110,075,999
1,753,204,750	1,239,622,982	13,742,273	-	8,065,471,590
214,372,794	-	-	-	417,867,768
300,559,667	-	-	-	604,255,966
808,165,286	1,669,814,976	-	-	3,060,423,956
33,711,165	-	-	-	41,130,376
278,347,961	633,334	2,203,031	-	2,581,145,595
38,851,249	-	18,118,488	-	145,209,326
58,247,886	-	-	-	206,951,439
237,525	-	-	-	619,430,466
108,175	191,214	52,376,334	-	53,021,973
47,403	64,008	95,889,577	-	96,121,226
1,732,649,111	1,670,703,532	168,587,430	-	7,825,558,091
20,555,639	(431,080,550)	(154,845,157)	-	239,913,499
108,175	191,214	-	-	645,639
7,912,210	450,925,954	93,867,614	(763,608,732)	54,832,458
(9,224,957)	(29,025,634)	(7,998,238)	763,608,732	(22,028,431)
(1,204,572)	422,091,534	85,869,376	-	33,449,666
19,351,067	(8,989,016)	(68,975,781)	-	273,363,165
504,486,792	29,425,178	116,412,302	-	1,678,525,669
$ 523,837,859	$ 20,436,162	$ 47,436,521	$ -	$ 1,951,888,834

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, 2022

Total net change in fund balances from the previous page	**$ 273,363,165**
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]	95,373,148
Repayment of bond and lease 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]	72,648,716
Bond and lease proceeds provide current financial resources to the to the governmental funds, but issuing debt and leases increases long-term liabilities in the statement of net position (net of internal service funds) [1]	8,894,035
Receivables in the governmental funds that are not available to provide current financial resources are not reported as revenues in the governmental funds	82,771,217
Estimated personal income tax refunds that are not due and payable are not reported as governmental fund liabilities	(32,651,004)
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]	135,869,803
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	(9,267,242)
Total changes in net position of governmental activities as reported on the statement of activities	**$ 627,001,838**

[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, 2022

	Business-type Activities-Enterprise Funds		
	Unemployment Compensation Trust Fund	**Liquor Control Fund**	**State Lottery Fund**
ASSETS			
Current Assets			
Cash and cash equivalents	$ 288,302,015	$ -	$ 6,455,211
Receivables			
Taxes receivable, net of allowance for uncollectibles	21,408,635	-	-
Accounts receivable, net of allowance for uncollectibles	844,273	2,497,982	2,581,191
Loans receivable	-	-	-
Lease receivable	-	-	-
Accrued interest receivable	-	-	-
Due from other funds	-	54,477	-
Intergovernmental receivables - federal government	659,123	-	-
Inventories, at cost	-	9,942,507	645,191
Prepaid expenses	-	-	15,013
Total current assets	311,214,046	12,494,966	9,696,606
Noncurrent Assets			
Investments	-	-	492,671
Loans receivable	-	-	-
Lease receivable	-	-	-
Imprest cash and change fund - advances	-	75	300,000
Total noncurrent assets	-	75	792,671
Capital Assets			
Land	-	-	-
Construction in progress	-	-	-
Works of art	-	-	-
Capital assets being depreciated/amortized:			
Intangible right-to-use lease assets	-	-	-
Machinery, equipment and buildings	-	5,801,361	317,128
Less accumulated depreciation	-	(2,577,140)	(232,162)
Total capital assets, net of depreciation	-	3,224,221	84,966
Total noncurrent and capital assets	-	3,224,296	877,637
Total assets	311,214,046	15,719,262	10,574,243
DEFERRED OUTFLOWS OF RESOURCES			
Pension related outflows	-	1,908,005	730,641
OPEB related outflows	-	2,782,269	1,198,511
Total deferred outflows of resources	-	4,690,274	1,929,152

Business-type Activities-Enterprise Funds			Governmental Activities
Non-major Enterprise Funds	Eliminations	Total Enterprise Funds	Total Internal Service Funds
$ 27,578,434	$ -	$ 322,335,660	$ 99,127,576
935,788	-	22,344,423	-
9,220,953	-	15,144,399	18,767,203
433,116	-	433,116	634,764
-	-	-	261,369
3,949	-	3,949	164
440,613	(384,179)	110,911	21,216,846
-	-	659,123	-
-	-	10,587,698	3,429,282
-	-	15,013	5,164,900
38,612,853	(384,179)	371,634,292	148,602,104
-	-	492,671	-
549,795	-	549,795	2,201,067
-	-	-	363,225
-	-	300,075	3,500,000
549,795	-	1,342,541	6,064,292
-	-	-	26,156
-	-	-	2,512,532
-	-	-	8,200
-	-	-	94,411,801
-	-	6,118,489	123,379,993
-	-	(2,809,302)	(94,265,759)
-	-	3,309,187	126,072,923
549,795	-	4,651,728	132,137,215
39,162,648	(384,179)	376,286,020	280,739,319
-	-	2,638,646	-
-	-	3,980,780	-
-	-	6,619,426	-

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STATE OF VERMONT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2022

	Business-type Activities-Enterprise Funds		
	Unemployment Compensation Trust Fund	**Liquor Control Fund**	**State Lottery Fund**
LIABILITIES			
Current Liabilities			
Accounts payable	-	6,937,310	906,610
Accrued salaries and benefits	-	361,993	138,129
Claims payable	1,079,180	-	-
Due to lottery winners	-	-	92,566
Due to agents	-	477,464	-
Due to other funds	384,179	498,141	188,620
Interfund payable	-	5,386,015	-
Future and unclaimed prizes payable	-	-	7,657,332
Unearned revenue	43,955,462	14,885	231,181
Lease liabilities	-	-	-
Other current liabilities	2,146,911	-	-
Total current liabilities	47,565,732	13,675,808	9,214,438
Long-term Liabilities			
Due to lottery winners	-	-	285,777
Claims payable	-	-	-
Advances from other funds	-	75	300,000
Lease liabilities	-	-	-
Net pension liabilities	-	4,115,693	1,426,950
Net other postemployment benefits liabilities	-	3,090,528	1,075,494
Other noncurrent liabilities	-	59,932	21,198
Total long-term liabilities	-	7,266,228	3,109,419
Total liabilities	47,565,732	20,942,036	12,323,857
DEFERRED INFLOWS OF RESOURCES			
Leases	-	-	-
Pension related inflows	-	1,344,483	539,668
OPEB related inflows	-	6,541,938	2,594,034
Total deferred inflows of resources	-	7,886,421	3,133,702
NET POSITION			
Net investment in capital assets	-	3,224,221	84,966
Restricted for unemployment compensation benefits	263,648,314	-	-
Restricted for protection to persons and property	-	-	-
Unrestricted (deficit)	-	(11,643,142)	(3,039,130)
Total net position	$ 263,648,314	$ (8,418,921)	$ (2,954,164)

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
5,581,685	-	13,425,605	15,041,591
1,160	-	501,282	6,443,909
-	-	1,079,180	26,177,782
-	-	92,566	-
-	-	477,464	-
410,434	(384,179)	1,097,195	504,655
184,308	-	5,570,323	38,727,636
-	-	7,657,332	-
-	-	44,201,528	212,915
-	-	-	11,166,139
1,094,392	-	3,241,303	937,569
7,271,979	(384,179)	77,343,778	99,212,196
-	-	285,777	-
-	-	-	39,614,584
-	-	300,075	-
-	-	-	72,516,653
-	-	5,542,643	-
-	-	4,166,022	-
1,679,842	-	1,760,972	2,537,905
1,679,842	-	12,055,489	114,669,142
8,951,821	(384,179)	89,399,267	213,881,338
-	-	-	618,210
-	-	1,884,151	-
-	-	9,135,972	-
-	-	11,020,123	618,210
-	-	3,309,187	42,390,131
-	-	263,648,314	-
12,566,303	-	12,566,303	-
17,644,524	-	2,962,252	23,849,640
$ 30,210,827	$ -	282,486,056	$ 66,239,771
Adjustment to reflect the consolidation of internal service activities related to enterprise funds……		(63,871)	
Net Position - Business-type Activities……..		$ 282,422,185	

STATE OF VERMONT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Business-type Activities-Enterprise Funds		
	Unemployment Compensation Trust Fund	Liquor Control Fund	State Lottery Fund
OPERATING REVENUES			
Charges for sales and services	$ 62,420,883	$ 96,129,163	$ -
Ticket sales	-	-	151,468,508
Rental income	-	-	-
License fees	-	1,915,393	-
Federal donated properties	-	-	-
Other operating revenues	-	4,744,020	2,328
Total operating revenues	62,420,883	102,788,576	151,470,836
OPERATING EXPENSES			
Cost of sales and services	-	61,578,040	117,176,161
Claims expenses	151,048,967	-	-
Salaries and benefits	-	3,972,565	1,603,569
Insurance premium expenses	-	43,764	9,772
Contractual services	-	556,264	174,873
Repairs and maintenance	-	177,182	6,060
Depreciation	-	572,884	12,248
Rental expenses	-	102,648	209,584
Utilities and property management	-	2,487,383	362,305
Non-capital equipment purchased	-	77,979	3,391
Promotions and advertising	-	60,126	518,236
Administration expenses	-	164,445	40,068
Supplies and parts	-	208,922	23,175
Distribution and postage	-	17,416	13,296
Travel	-	12,135	702
Other operating expenses	-	10,507,755	166,510
Total operating expenses	151,048,967	80,539,508	120,319,950
Operating income (loss)	(88,628,084)	22,249,068	31,150,886
NONOPERATING REVENUES (EXPENSES)			
Federal grants	95,218,506	-	-
Gain/(loss) on disposal of capital assets	-	(40,775)	-
Investment income/(loss)	3,823,077	-	(13,739)
Interest expense	-	-	-
Other nonoperating expenses	(218,775)	-	-
Total nonoperating revenues (expenses)	98,822,808	(40,775)	(13,739)
Income (loss) before other revenues, expenses, gains, losses, and transfers	10,194,724	22,208,293	31,137,147
OTHER REVENUES, EXPENSES, GAINS, LOSSES, AND TRANSFERS			
Capital contributions	-	-	59,583
Transfers in	-	-	-
Transfers out	-	(22,758,356)	(31,136,102)
Total other revenues, expenses, gains, losses, and transfers	-	(22,758,356)	(31,076,519)
Changes in net position	10,194,724	(550,063)	60,628
Total net position, July 1, restated	253,453,590	(7,868,858)	(3,014,792)
Total net position June 30	$ 263,648,314	$ (8,418,921)	$ (2,954,164)

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
$ 72,037,314	$ 230,587,360	$ 403,939,889
-	151,468,508	-
-	-	20,478,747
-	1,915,393	-
282,589	282,589	-
-	4,746,348	5,960,324
72,319,903	389,000,198	430,378,960
55,484,340	234,238,541	40,484,444
-	151,048,967	228,832,669
33,975	5,610,109	77,996,477
-	53,536	7,913,893
2,929,584	3,660,721	39,299,878
-	183,242	9,519,166
-	585,132	22,316,458
45	312,277	3,011,656
-	2,849,688	14,712,320
-	81,370	1,123,348
-	578,362	58,813
6,236,476	6,440,989	11,205,543
-	232,097	2,827,400
-	30,712	61,932
-	12,837	52,475
1,264,477	11,938,742	2,856,871
65,948,897	417,857,322	462,273,343
6,371,006	(28,857,124)	(31,894,383)
-	95,218,506	-
-	(40,775)	1,353,578
56,131	3,865,469	152,787
-	-	(1,314,266)
-	(218,775)	-
56,131	98,824,425	192,099
6,427,137	69,967,301	(31,702,284)
-	59,583	102,297
-	-	22,028,431
(938,000)	(54,832,458)	-
(938,000)	(54,772,875)	22,130,728
5,489,137	15,194,426	(9,571,556)
24,721,690	267,291,630	75,811,327
$ 30,210,827	$ 282,486,056	$ 66,239,771

Total change in net position reported above…….	$ 15,194,426
Consolidation adjustment of internal service activities related to enterprise funds…….	(304,314)
Change in net position - business type activities….	$ 14,890,112

STATE OF VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Business-type Activities-Enterprise Funds		
	Unemployment Compensation Trust Fund	Liquor Control Fund	State Lottery Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 60,745,359	$ 96,192,249	$ 151,708,451
Cash paid to suppliers for goods and services	-	(65,838,569)	(9,036,347)
Cash paid to employees for services	-	(4,787,957)	(1,943,401)
Cash paid for prizes and commissions	-	-	(109,650,400)
Cash paid to claimants	(166,281,147)	-	-
Other operating revenues	-	6,659,413	2,328
Other operating expenses	(218,775)	(10,507,755)	(166,510)
Total cash provided (used) by operating activities	(105,754,563)	21,717,381	30,914,121
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	-	-	-
Transfers out	-	(22,758,356)	(30,797,302)
Interfund loans and advances	-	1,148,902	-
Federal grants	96,101,731	-	-
Net cash provided (used) by noncapital financing activities	96,101,731	(21,609,454)	(30,797,302)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	-	(126,735)	(1,045)
Payment of leases and loans	-	-	-
Interest paid on leases and loans	-	-	-
Proceeds from capital loans	-	-	-
Proceeds from sale of capital assets	-	18,808	-
Net cash provided (used) by capital and related financing activities	-	(107,927)	(1,045)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends on investments	3,823,077	-	39,698
Proceeds from sales/maturities of investments	-	-	97,997
Proceeds from loan repayments	-	-	-
Loans issued	-	-	-
Net cash provided (used) by investing activities	3,823,077	-	137,695
Net increase (decrease) in cash and cash equivalents	(5,829,755)	-	253,469
Cash and cash equivalents, July 1	294,131,770	75	6,501,742
Cash and cash equivalents, June 30	$ 288,302,015	$ 75	$ 6,755,211
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	$ (88,628,084)	$ 22,249,068	$ 31,150,886
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation and amortization	-	572,884	12,248
Other nonoperating expenses	(218,775)	-	-
Effect of changes in assets, deferred outflows, liabilities and deferred inflows:			
Accounts/taxes receivable, net	(1,716,849)	(321,243)	213,295
Lease receivable	-	-	-
Due from other funds	-	(10,452)	-
Inventories	-	(1,208,566)	(184,641)
Prepaid expenses	-	-	(15,013)
Deferred outflows	-	939,802	426,827
Accounts payable	-	847,276	(140,234)
Accrued salaries and benefits	-	(123,827)	(26,722)
Claims payable	(10,826,788)	-	-
Due to lottery winners	-	-	(97,996)
Due to agents	-	9,025	-
Future and unclaimed prizes payable	-	-	248,601
Due to other funds	41,325	390,846	40,159
Unearned revenues	-	3,935	26,648
Other liabilities	(4,405,392)	-	-
Other noncurrent liabilities	-	-	-
Net pension liabilities	-	(1,211,607)	(523,306)
Net OPEB liabilities	-	(3,795,340)	(1,452,770)
Deferred inflows	-	3,375,580	1,236,139
Total adjustments	(17,126,479)	(531,687)	(236,765)
Net cash provided (used) by operating activities	$ (105,754,563)	$ 21,717,381	$ 30,914,121
Noncash investing, capital, and financing activities:			
Contributions of capital assets to/from other funds	-	(59,583)	59,583
Retirement of assets not fully depreciated	-	-	-
Fair market value of donated inventory sold	-	-	-
Acquisition of capital assets via financing	-	-	-

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
$ 78,928,101	$ 387,574,160	$ 436,294,443
(71,354,713)	(146,229,629)	(128,411,875)
(35,015)	(6,766,373)	(80,090,774)
-	(109,650,400)	-
-	(166,281,147)	(227,248,066)
-	6,661,741	5,940,324
(705,894)	(11,598,934)	(2,856,871)
6,832,479	(46,290,582)	3,627,181
-	-	22,028,431
(938,000)	(54,493,658)	-
(274,773)	874,129	(17,061,945)
-	96,101,731	-
(1,212,773)	42,482,202	4,966,486
-	(127,780)	(6,773,505)
-	-	(11,387,900)
-	-	(1,209,770)
-	-	26,902
-	18,808	1,378,075
-	(108,972)	(17,966,198)
32,474	3,895,249	152,623
-	97,997	-
501,205	501,205	727,938
(220,000)	(220,000)	(92,340)
313,679	4,274,451	788,221
5,933,385	357,099	(8,584,310)
21,645,049	322,278,636	111,211,886
$ 27,578,434	$ 322,635,735	$ 102,627,576
$ 6,371,006	$ (28,857,124)	$ (31,894,383)
-	585,132	22,316,458
-	(218,775)	-
1,750,188	(74,609)	12,899,715
-	-	287,027
74,949	64,497	(1,025,841)
-	(1,393,207)	(387,044)
-	(15,013)	(1,268,674)
-	1,366,629	-
1,315,717	2,022,759	3,198,565
(1,040)	(151,589)	(2,094,297)
-	(10,826,788)	1,584,603
-	(97,996)	-
-	9,025	-
-	248,601	-
(16,432)	455,898	(21,614)
-	30,583	53,982
-	(4,405,392)	272,095
(2,661,909)	(2,661,909)	-
-	(1,734,913)	-
-	(5,248,110)	-
-	4,611,719	(293,411)
461,473	(17,433,458)	35,521,564
$ 6,832,479	$ (46,290,582)	$ 3,627,181
-	-	102,297
-	-	(818,826)
282,589	282,589	2,006,950
-	-	94,331,351

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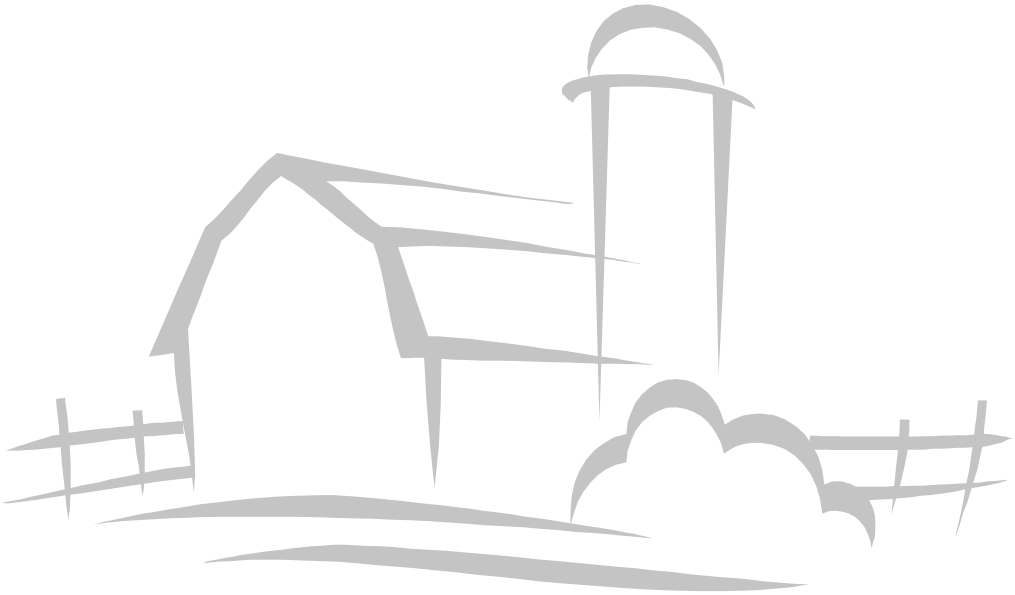

Vermont

FIDUCIARY FUNDS
FINANCIAL STATEMENTS

STATE OF VERMONT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2022

	Pension and Other Postemployment Benefits Trust Funds	Private Purpose Trust Fund: Unclaimed Property Fund	Custodial Funds
ASSETS			
Cash and cash equivalents	$ 74,738,076	$ 8,083,911	$ 6,410,464
Investments			
Fixed income	308,772,621	-	-
Equities	499,760,123	4,213,503	-
Mutual and commingled funds	3,843,633,943	-	-
Private partnerships	1,029,532,400	-	-
Receivables:			
Taxes	-	-	2,934,110
Contributions - current	19,761,084	-	-
Contributions - non-current	5,736,798	-	-
Investments sold	12,673,297	-	-
Interest and dividends	2,489,490	-	-
Due from other funds	-	-	108,053
Other	15,551,573	-	2,360,656
Prepaid expenses	241,546	-	-
Other assets	-	8,354,879	-
Capital assets:			
Capital assets being depreciated:			
Equipment	8,310,724	8,299	-
Less accumulated depreciation	(6,943,214)	(5,363)	-
Total capital assets, net of depreciation	1,367,510	2,936	-
Total assets	5,814,258,461	20,655,229	11,813,283
LIABILITIES			
Accounts payable	2,147,383	33,723	5,617
Accrued salaries and benefits	-	40,608	-
Claims payable	-	11,226,050	-
Investments purchased	63,500,936	-	-
Due to other funds	13,012	616	-
Interfund loans payable	420	-	373,985
Intergovernmental payable - other governments	-	-	8,136,181
Payable to individuals	-	-	82,487
Total liabilities	65,661,751	11,300,997	8,598,270
NET POSITION			
Restricted for employees' pension benefits	5,589,411,062	-	-
Restricted for employees' other postemployment benefits	159,185,648	-	-
Restricted for individuals, organizations and other governments	-	9,354,232	3,215,013
Net position restricted for benefits and other purposes	$ 5,748,596,710	$ 9,354,232	$ 3,215,013

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, 2022

	Pension and Other Postemployment Benefits Trust Funds	Private Purpose Trust Fund Unclaimed Property Fund	Custodial Funds
ADDITIONS			
Contributions			
Employer - pension benefit	$ 225,111,990	$ -	$ -
Employer - healthcare benefit	35,170,057	-	-
Non-employer - pension benefit	314,663,632	-	-
Non-employer - healthcare benefit	54,202,861	-	-
Plan member	115,474,889	-	-
Transfers from non-state systems	41,955	-	-
Other revenues	10,581,196	-	-
Total contributions	755,246,580	-	-
Investment Income			
Net appreciation/(depreciation) in fair value of investments	(594,915,587)	-	-
Dividends	40,460,861	-	-
Interest income	6,405,184	170,048	107
Other income	894,487	19	-
Total investment income/(loss)	(547,155,055)	170,067	107
Less Investment Expenses			
Investment managers and consultants	6,682,807	-	-
Total investment expenses	6,682,807	-	-
Net investment income/(loss)	(553,837,862)	170,067	107
Escheat property remittances	-	302,707	-
Collection of local option taxes for other governments	-	-	27,129,062
Collection of fines and fees for other governments	-	-	4,604,017
Collection of child support for individuals	-	-	41,993,391
Collection for the benefit of individuals	-	-	6,972,230
Other custodial fund collections	-	-	14,400
Total additions	201,408,718	472,774	80,713,207
DEDUCTIONS			
Retirement benefits	442,065,787	-	-
Other postemployment benefits	63,879,244	-	-
Refunds of contributions	9,180,738	-	-
Death claims	1,685,236	-	-
Payment of local option taxes to other governments	-	-	27,129,062
Payment of fines and fees to other governments	-	-	4,341,202
Payments of child support to individuals	-	-	41,992,492
Payments for the benefit of individuals	-	-	7,374,119
Other custodial fund payments	-	-	4,307
Transfers to non-state systems	8,927,340	-	-
Depreciation	651,464	1,615	-
Operating expenses	6,018,498	890,499	-
Total deductions	532,408,307	892,114	80,841,182
Change in net position			
Restricted for employees' pension benefits	(339,428,435)	-	-
Restricted for employees' other postemployment benefits	8,428,846	-	-
Held in trust for individuals, organizations and other governments	-	(419,340)	(127,975)
Restricted Net position, July 1	6,079,596,299	9,773,572	3,342,988
Restricted Net position, June 30	$ 5,748,596,710	$ 9,354,232	$ 3,215,013

The accompanying notes are an integral part of these financial statements.

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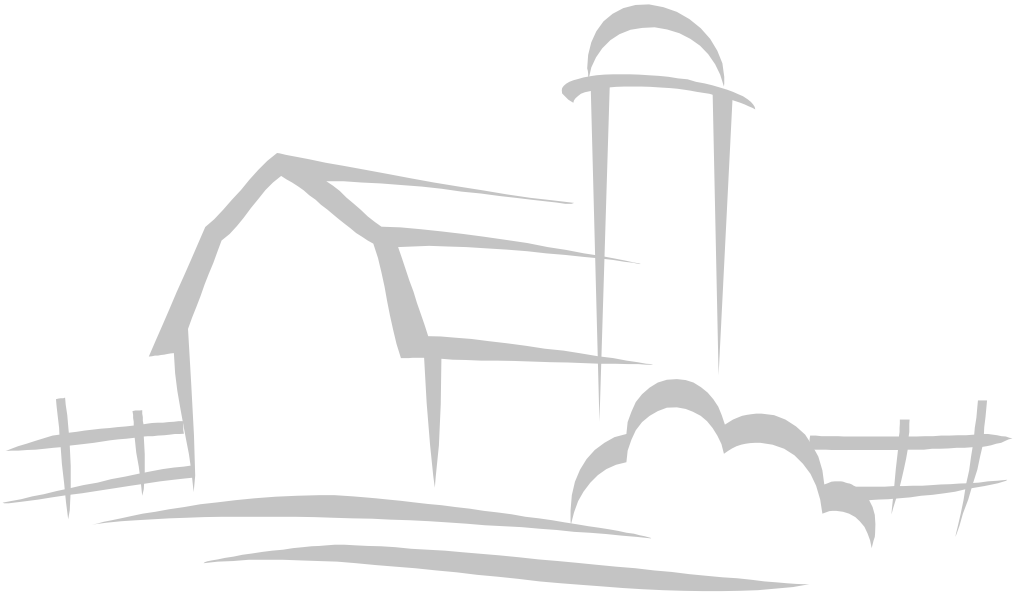

Vermont

DISCRETELY PRESENTED COMPONENT UNITS FINANCIAL STATEMENTS

STATE OF VERMONT
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
June 30, 2022

	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	$ 58,076,000	$ 293,266,000	$ 101,581,584	$ 2,002,000	$ 39,584,763	$ 494,510,347
Cash and cash equivalents - restricted	-	-	-	50,066,000	6,879,000	56,945,000
Investments	-	242,068,000	1,087,625	14,765,000	25,789,991	283,710,616
Accounts receivable, net	-	42,849,000	22,159,504	-	1,918,571	66,927,075
Accrued interest receivable - loans	14,018,000	-	-	2,064,000	2,525,244	18,607,244
Accrued interest receivable - investments	36,000	-	-	529,000	-	565,000
Loans and notes receivable - current portion	79,889,000	1,784,000	-	26,886,000	81,042,973	189,601,973
Other receivables	1,881,000	-	-	427,000	8,661,387	10,969,387
Lease receivable	-	1,145,000	-	-	76,000	1,221,000
Due from federal government	64,000	7,215,000	-	-	1,158,645	8,437,645
Due from primary government	-	-	-	-	106,576,538	106,576,538
Inventories, at cost	-	69,000	-	-	457,199	526,199
Other current assets	366,000	17,192,000	2,515,874	-	1,008,474	21,082,348
.						
Total current assets	154,330,000	605,588,000	127,344,587	96,739,000	275,678,785	1,259,680,372
Noncurrent Assets						
Cash and cash equivalents	-	-	896,203	-	-	896,203
Cash and cash equivalents - restricted	52,432,000	-	-	-	2,686,419	55,118,419
Investments	8,835,000	770,083,000	48,187,071	156,956,000	1,262,000	985,323,071
Investments - restricted	-	-	-	-	94,288,643	94,288,643
Loans and notes receivable, net	433,754,000	39,048,000	1,469,809	209,189,000	977,446,923	1,660,907,732
Lease receivable	-	14,900,000	-	-	1,267,000	16,167,000
Other assets	1,075,000	-	88,697	172,000	22,710,288	24,045,985
Total noncurrent assets	496,096,000	824,031,000	50,641,780	366,317,000	1,099,661,273	2,836,747,053
Capital Assets						
Land	3,150,000	40,779,000	8,436,048	50,000	602,470	53,017,518
Construction in progress	-	94,278,000	5,950,249	-	599,130	100,827,379
Capital assets, being depreciated						
Infrastructure	-	-	42,538,036	-	-	42,538,036
Intangible right-to-use lease assets	-	4,523,000	18,665,579	-	1,318,442	24,507,021
Buildings and leasehold improvements	17,407,000	1,070,472,000	264,295,207	1,994,000	36,941,725	1,391,109,932
Equipment, furniture and fixtures	4,676,000	169,988,000	42,615,769	931,000	7,274,546	225,485,315
Less accumulated depreciation	(13,971,000)	(630,895,000)	(228,869,095)	(2,420,000)	(31,198,972)	(907,354,067)
Total capital assets, net of depreciation	11,262,000	749,145,000	153,631,793	555,000	15,537,341	930,131,134
Total assets	661,688,000	2,178,764,000	331,618,160	463,611,000	1,390,877,399	5,026,558,559
DEFERRED OUTFLOWS OF RESOURCES						
Loss on refunding of bonds payable	-	5,261,000	6,493,996	-	15,109,268	26,864,264
Interest rate swaps	-	-	-	62,000	-	62,000
Subscription-based information technology arrangements	610,000	-	-	-	-	610,000
VHCB related deferred outflows	-	-	-	30,108,000	-	30,108,000
Pension related outflows	-	-	-	-	5,965,422	5,965,422
OPEB related outflows	-	58,102,000	42,760,473	-	9,897,365	110,759,838
Total deferred outflows of resources	610,000	63,363,000	49,254,469	30,170,000	30,972,055	174,369,524

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	2,660,000	102,231,000	12,945,955	652,000	3,708,669	122,197,624
Accrued interest payable	-	-	-	2,102,000	311,000	2,413,000
Bond interest payable	451,000	-	-	-	2,133,871	2,584,871
Unearned revenue	9,956,000	59,170,000	7,104,075	-	-	76,230,075
Other current liabilities	344,000	-	-	-	89,000,000	89,344,000
Current portion of long-term liabilities	10,135,000	16,827,000	6,344,877	20,018,000	106,803,228	160,128,105
Due to primary government	-	-	-	-	6,162,510	6,162,510
Escrowed cash deposits	-	-	-	10,846,000	968,000	11,814,000
Total current liabilities	23,546,000	178,228,000	26,394,907	33,618,000	209,087,278	470,874,185
Noncurrent Liabilities						
Bonds and notes payable	413,385,000	544,007,000	109,274,003	355,864,000	655,896,775	2,078,426,778
Lease liabilities	-	2,301,000	12,891,810	-	1,192,000	16,384,810
Accounts payable and accrued liabilities	-	15,216,000	-	-	-	15,216,000
Accrued arbitrage rebate	3,885,000	-	-	-	25,771	3,910,771
Advances from primary government	-	-	-	-	5,500,000	5,500,000
Net pension liabilities	-	-	-	-	13,251,411	13,251,411
Net other postemployment benefits liabilities	-	436,372,000	160,734,727	-	9,902,708	607,009,435
Other liabilities	-	-	3,643,575	-	30,800	3,674,375
Total noncurrent liabilities	417,270,000	997,896,000	286,544,115	355,864,000	685,799,465	2,743,373,580
Total liabilities	440,816,000	1,176,124,000	312,939,022	389,482,000	894,886,743	3,214,247,765
DEFERRED INFLOWS OF RESOURCES						
Gain on refunding of bonds payable	9,868,000	-	-	-	-	9,868,000
Lease related inflows	1,350,000	15,614,000	-	-	1,285,522	18,249,522
Interest rate swaps	-	-	-	234,000	-	234,000
Service concession arrangement	-	854,000	-	-	-	854,000
Split interest arrangements	-	4,041,000	-	-	-	4,041,000
Pension related inflows	-	-	-	-	4,636,112	4,636,112
OPEB related inflows	-	111,085,000	74,054,636	-	22,708,272	207,847,908
Total deferred inflows of resources	11,218,000	131,594,000	74,054,636	234,000	28,629,906	245,730,542
NET POSITION						
Net investment in capital assets	11,262,000	186,383,000	37,926,523	555,000	14,294,341	250,420,864
Restricted						
Endowments - expendable	999,000	486,334,000	16,473,377	-	-	503,806,377
Endowments - nonexpendable	7,912,000	351,554,000	22,454,476	-	-	381,920,476
Grants and scholarships	2,714,000	-	-	-	-	2,714,000
Bond resolution	55,556,000	-	-	84,797,000	-	140,353,000
Investment in limited partnerships	-	-	-	-	6,183,000	6,183,000
Collateral for commercial paper program	-	-	-	-	21,672,000	21,672,000
Project and program commitments	-	-	-	7,360,000	141,650,311	149,010,311
Loans receivable	-	-	-	-	279,144,666	279,144,666
Unrestricted (deficit)	131,821,000	(89,862,000)	(82,975,405)	11,353,000	35,388,487	5,725,082
Total net position	$ 210,264,000	$ 934,409,000	$ (6,121,029)	$ 104,065,000	$ 498,332,805	$ 1,740,949,776

STATE OF VERMONT
STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2022

	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	$ 16,075,000	$ 449,549,000	$ 111,912,553	$ 4,164,000	$ 25,536,160	$ 607,236,713
Other expenses	7,757,000	195,622,000	53,561,384	17,667,000	50,551,182	325,158,566
Scholarship, grants and fellowships	29,961,000	39,935,000	26,075,221	-	-	95,971,221
Depreciation	799,000	39,849,000	12,973,552	70,000	1,459,311	55,150,863
Interest on debt	7,267,000	20,747,000	5,476,764	11,586,000	27,216,962	72,293,726
Total expenses	61,859,000	745,702,000	209,999,474	33,487,000	104,763,615	1,155,811,089
Program Revenues						
Charges for services	28,802,000	468,353,000	99,381,299	3,332,000	57,502,734	657,371,033
Operating grants and contributions	36,455,000	347,325,000	141,135,042	18,108,000	44,041,553	587,064,595
Capital grants and contributions	-	3,076,000	2,003,663	-	103,985,097	109,064,760
Total program revenues	65,257,000	818,754,000	242,520,004	21,440,000	205,529,384	1,353,500,388
Net revenue (expense)	3,398,000	73,052,000	32,520,530	(12,047,000)	100,765,769	197,689,299
General Revenues						
Property transfer tax	-	-	-	-	10,804,840	10,804,840
Investment income/(loss)	467,000	(57,852,000)	(3,886,044)	554,000	1,764,280	(58,952,764)
Additions to non-expendable endowments	591,000	-	1,455,272	-	-	2,046,272
Miscellaneous	-	1,331,000	-	-	4,555,352	5,886,352
Total general revenues	1,058,000	(56,521,000)	(2,430,772)	554,000	17,124,472	(40,215,300)
Changes in net position	4,456,000	16,531,000	30,089,758	(11,493,000)	117,890,241	157,473,999
Net position - beginning, as restated	205,808,000	917,878,000	(36,210,787)	115,558,000	380,442,564	1,583,475,777
Net position - ending	$ 210,264,000	$ 934,409,000	$ (6,121,029)	$ 104,065,000	$ 498,332,805	$ 1,740,949,776

The accompanying notes are an integral part of these financial statements.

STATE OF VERMONT
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2022

STATE OF VERMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

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 as 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, 2022.

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.

<u>Discretely Presented Major Component Units</u>

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.

Discretely Presented Non-major Component Units

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 the Vermont citizenry.

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 20 Winooski Falls Way, Winooski VT 05404.

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. It 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, 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 lease assets, the measurement of which is discussed in the

Leases section below). 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 lease assets acquired through leases are found in Notes IV. E. - Capital Assets, and IV. G. 3. - Leases, 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.

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 two items that qualifies for reporting in this category in the governmental funds, which are 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. 4. - 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, 2022 in the governmental funds statements is comprised of tax refunds for filed tax returns due and payable at June 30, 2022. The amount reported as tax refunds payable at June 30, 2022 in the government–wide financial statements is comprised of estimated tax liability overpayments for the first and second calendar quarters of year 2022's tax liability that will be paid out in calendar year 2023.

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, 2022, 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. 5. - 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:

(Table on next page.)

Governmental Funds	Encumbrances
General Fund	$ 36,997,625
Transportation Fund	1,529,926
Education Fund	250,000
Special Fund	48,201,655
Federal Revenue Fund	76,543,641
Global Commitment Fund	599,449
Non-major Governmental Funds	31,114,032
Total	$ 195,236,328

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 2022 reporting, the State implemented the following new GASB standards:

GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. See Note V.G. for the cumulative effect of change in accounting principles.

GASB Statement No. 92, *Omnibus 2020*. 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. This statement did not have an impact on the financial statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*. This Statement establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. This statement did not have an impact on the financial statements.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. This statement looks to increase consistency and comparability related to the reporting of fiduciary component units that are established as Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan or other benefits of those plans. This statement did not have an impact on the financial statements.

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. This statement did not have an impact on the financial statements. GASB Statement No. 99 issued in April 2022 had multiple effective dates for the statements various requirements. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance, and were adopted by the State for fiscal year 2022 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	$ 170,296,217
Works of art	127,803
Construction in progress	758,759,477
Depreciable capital assets and infrastructure, net of $2,200,568,091 of accumulated depreciation	2,351,024,288
Net adjustment to increase *fund balances - total governmental funds* to arrive at *net position - governmental activities*	$ 3,280,207,785

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	$ 311,055,985
Deferred outflow for unamortized loss on sale of refunding bonds	2,641,926
Deferred inflow for unamortized gain on sale of refunding bonds	(53,930)
Deferred outflow for pension related items	1,008,294,312
Deferred inflow for pension related items	(488,023,582)
Deferred outflow for OPEB related items	447,986,343
Deferred inflow for OPEB related items	(238,904,569)
Net adjustment to increase *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$ 1,042,996,485

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	$ (628,865,865)
Lease liability (net of internal service funds' liability)	(416,923)
Accrued interest payable on bonds	(8,775,095)
Compensated absences (net of internal service funds' liability)	(43,075,057)
Tax refunds payable	(95,255,489)
Net pension liabilities	(2,506,523,421)
Net other postemployment benefits liabilities	(2,734,591,594)
Other long-term liabilities	(17,740,436)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$ (6,035,243,880)

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	$ 487,333,633
Expensed net book value of disposed assets	(191,679,786)
Depreciation expense	(200,280,699)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$ 95,373,148

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	$ 72,420,000
Lease principal repayment (net of internal service funds' liability)	228,716
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$ 72,648,716

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)	$ (645,639)
Bond premium is amortized to interest expense in the statement of activities	10,205,512
Refunding bonds deferred amounts are amortized to interest expense in the statement of activities	(665,838)
Net adjustment to decrease *changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$ 8,894,035

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:

Increase in accrued interest payable	$ (528,536)
Increase in compensated absences	(2,644,376)
Decrease in employer pension and other postemployment benefit related costs	139,197,298
Increase in pollution remediation related costs	(154,583)
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$ 135,869,803

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, 2022:

Governmental Funds		
Non-major Governmental Funds:		
General Obligation Bond Projects Fund	$	(6,785,874)
Proprietary Funds		
Major Enterprise Funds:		
Liquor Control Fund		(8,418,921)
State Lottery Fund		(2,954,164)
Non-major Enterprise Funds:		
Federal Surplus Property Fund		(180,935)
Internal Service Funds:		
Copy Center		(1,221,291)
Postage		(3,330,110)
Property Management		(11,061,399)
Workers' Compensation		(4,514,502)
Human Resources		(476,682)

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 could in turn be retrieved for sale 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. At the start of fiscal year 2021, the program model shifted to an administrative service fee-based participation via the State Surplus Property program which will allow for more consistent and predictable expenses year to year.

Internal Service Funds

The Copy Center Fund deficit net position is the result of a long-term decline in usage, driven by digital replacements of printed materials, limiting the program's revenue potential without a corresponding reduction in fixed costs. To eliminate the deficit, program management may implement rate increases, while continuing to aggressively pursue additional opportunities including synergistic partnership with the postal services program. Fiscal year 2022 is reporting a loss mostly due to the decline in demand, supply chain/input pressures.

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 will attempt to address the fund deficit through improved business operations, while continuing to explore efficiencies gained through a partnership and co-location with the copy center.

The Property Management Fund deficit had a significant reduction in its deficit net position in fiscal year 2022 due to a $10 million transfer in from the General fund to offset prior year deficits from incurred program costs without sufficient revenue recovery. In addition, the restatement of the beginning net position related to the implementation of GASB No. 87, a new accounting standard for leases, resulted in a reduction of $1.95 million in the deficit net position. The remaining deficit is due to the following cost recovery assumptions which will be mitigated going forward. First, there are 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. Second, the administration has added a surcharge to existing leases and the level of surcharge will be monitored during budgeting each year to ensure recovery of operating costs. Program management will continue to monitor for subsidized leases and track all expenses for revenue recovery.

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 rate to a break-even level for fiscal year 2021 and 2022. 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 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 year 2020 include depreciation for the upgraded talent and acquisition management system (TAMS). 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.

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, 2022, were $1,456,205,243. Of these, $23,192,970 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 $287,989,058 on deposit with the U.S. Treasury at June 30, 2022. 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, 2022, totaled $49,609,222 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, Vermont State Retirement OPEB Fund, Retired Teachers' Health and Medical Benefit Fund, 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, 2022 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**	**Level 2**	**Level 3**
Debt investments:				
US Treasuries	$ 134,559	$ 134,559	$ -	$ -
Total debt investments	134,559	134,559	-	-
Equities:				
Equity Securities	4,214	4,214	-	-
Total equity securities	4,214	4,214	-	-
Total investments by fair value level	138,773	$ 138,773	$ -	$ -

Investments measured by net asset value (NAV)		**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Money Market Mutual Funds	1,208,841	-	Daily	-
Fixed Income Mutual Funds	23,781	-	Daily, monthly	1-30 days
Equity Mutual Funds	21,979	-	Daily, monthly	1-60 days
Total investments by NAV	1,254,601			
Total investments	$ 1,393,374			

$1,208,841 (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, 2022 are presented as follows:

Primary Government Investments - Excluding
Pension and Other Postemployment Benefits Trust Funds
(Expressed in Thousands)

Investment Type	Fair Value	Investment Maturities (in years) Less Than 1	1 to <6	6 to 10	More Than 10
Debt Investments:					
US Treasuries	$ 134,559	$ 134,185	$ 186	$ 159	$ 29
Money Market Mutual Funds	1,208,841	1,208,841	-	-	-
Fixed Income Mutual Funds	23,781	23,781	-	-	-
Total Debt Investments	1,367,181	$ 1,366,807	$ 186	$ 159	$ 29
Other Investments:					
Equity Securities	4,214				
Equity Mutual Funds	21,979				
Total Investments	$ 1,393,374				

Investments per maturity schedule	$ 1,393,374
Included in cash & cash equivalents:	
Money market mutual fund	(1,208,841)
Financial statement investments total	$ 184,533

(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, 2022, no single issuer exceeded 5% for 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, 2022, 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 $134,559 (in thousands), and pension fund investments are as follows: as of June 30, 2022, 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)

Debt Investments	Fair Value	Quality Ratings Aaa	Quality Ratings Unrated
Money Market Mutual Funds.....	$ 1,208,841	$ 1,208,841	$ -
Fixed Income Mutual Funds.....	23,781	-	23,781
Totals.....	$ 1,232,622	$ 1,208,841	$ 23,781

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. In the Trust Investment Account portfolio, total exposure to foreign currency risk as of June 30, 2022, was $0.

Primary Government—Pension, and Other Postemployment Benefits Trust Funds

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.4. - 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, most recently amended on June 25, 2020. 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). 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 State OPEB is invested in the Trust Investment Account utilized as an investment vehicle by many of the State's primary funds. The RTHMB has no investments. 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 market value of the real properties. Properties' fair market 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 market 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, 2022, 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, 2022, for the Pension and OPEB trust funds.
(Table on next page.)

Pension and Other Postemployment Benefits
Trust Funds' Investments
(Expressed in Thousands)

		Fair Value Measurement Level		
Investments by fair value level	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Debt securities:				
US Treasuries	$ 152,410	$ -	$ 152,410	$ -
Corporate Debt	88,693	-	88,693	-
Municipals	3,536	-	3,536	-
Asset Backed Securities	1,732	-	1,732	-
Mortgage Backed Securities	60,923	-	60,923	-
Sovereign Debt	1,479	-	1,479	-
Repurchase Agreement	7,000	-	7,000	-
Total debt securities	315,773	-	315,773	-
Equity investments:				
Stock Securities	499,760	492,440	7,320	-
Total equity securities	499,760	492,440	7,320	-
Total investments by fair value level	815,533	$ 492,440	$ 323,093	$ -

Investments measured at the net asset value (NAV)		**Unfunded Commitments**	**Redemption Frequency (if currently eligible)**	**Redemption Notice Period**
Commingled Fixed Income Mutual Funds	1,328,366	-	Daily, monthly	1-30 days
Commingled Equity Mutual Funds	511,224	-	Daily, monthly	1-60 days
Mutual Funds	2,004,044	-	Monthly, quarterly	90 days
Money Market Mutual Fund	17,680	-	Daily	-
Private Partnerships	1,029,532	892,954	N/A	N/A
Total investments measured at NAV	4,890,846			
Total investments	$5,706,379			

Investments per maturity schedule	$5,706,379
Included in cash & cash equivalents:	
Money market mutual funds	(17,680)
Repurchase agreements	(7,000)
Financial statement investments total	**$5,681,699**

(*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	$ 152,410	$ 36,761	$ 59,757	$ 37,802	$ 18,090
Corporate Debt	88,693	1,638	41,564	34,403	11,088
Money Market Mutual Fund	17,680	17,680	-	-	-
Municipals	3,536	589	385	398	2,164
Asset Backed Securities	1,732	-	-	752	980
Mortgage Backed Securities	60,923	-	71	25	60,827
Sovereign Debt	1,479	-	-	546	933
Repurchase Agreement	7,000	7,000	-	-	-
Fixed Income Mutual Funds	1,328,366	1,328,366	-	-	-
Total Debt Investments	1,661,819	$ 1,392,034	$ 101,777	$ 73,926	$ 94,082
Other Investments:					
Equity Mutual Funds	511,224				
Equity Securities	499,760				
Mutual Funds	2,004,044				
Private Partnerships	1,029,532				
Total	$ 5,706,379				

(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, 2022, 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, 2022, 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 $152,410 (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	$ 88,693	$ -	$ 1,620	$ 30,773
Money Market Mutual Funds	17,680	17,677	-	-
Municipals	3,536	-	1,871	691
Asset Backed Securities	1,732	-	-	952
Mortgage Backed Securities	60,923	2,962	450	-
Sovereign Debt	1,479	-	258	351
Repurchase Agreement	7,000	-	-	-
Fixed Income Mutual Funds	1,328,366	-	-	-
Totals	$ 1,509,409	$ 20,639	$ 4,199	$ 32,767

Debt Investments	Quality Ratings Baa	Ba	B and below	Unrated
Corporate Debt	$ 55,165	$ 625	$ -	$ 510
Money Market Mutual Funds	-	-	-	3
Municipals	-	-	-	974
Asset Backed Securities	415	-	-	365
Mortgage Backed Securities	-	-	-	57,511
Sovereign Debt	870	-	-	-
Repurchase Agreement	-	-	-	7,000
Fixed Income Mutual Funds	-	-	-	1,328,366
Totals	$ 56,450	$ 625	$ -	$ 1,394,729

(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:

Trust Funds' Investments
Foreign Currency Risk - International Securities at Fair Value
(Expressed in Thousands)

Currency	Total	Short Term	Equity
Australian Dollar	$ 17,109	$ 58	$ 17,051
Canadian Dollar	11,628	15	11,613
Danish Krone	14,536	-	14,536
Euro	88,337	(3)	88,340
Hong Kong Dollar	10,826	258	10,568
Indonesian Rupiah	2,268	23	2,245
Israeli Shekel	8,934	-	8,934
Japanese Yen	76,229	294	75,935
Malaysian Ringgit	237	11	226
New Zealand Dollar	125	-	125
Norwegian Krone	5,485	-	5,485
Philippine Peso	1	1	-
Polish Zloty	47	-	47
Singapore Dollar	5,814	14	5,800
South African Rand	3,341	-	3,341
South Korean Won	2,356	5	2,351
Swedish Krona	4,986	-	4,986
Swiss Franc	22,300	-	22,300
Thai Baht	777	-	777
United Kingdom Pound	45,755	-	45,755
Yuan Renminbi	4,667	31	4,636
Total	**$ 325,758**	**$ 707**	**$ 325,051**

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, mortgages 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, 2022 are summarized as follows:

	Enterprise Funds		Total Business-type
	Major	Non-major	Activities
Business-type activities			
Taxes			
Unemployment	$ 39,280,299	$ 3,739,478	$ 43,019,777
Allowance for uncollectibles	(17,871,664)	(2,803,690)	(20,675,354)
Taxes receivable, net	$ 21,408,635	$ 935,788	$ 22,344,423
Loans and notes receivable	$ -	$ 982,911	$ 982,911
	Current receivable		$ 433,116
	Non-current receivable		549,795
	Total loans and notes receivable, net		$ 982,911
Federal grants	$ 659,123	$ -	$ 659,123
Other			
Accrued interest and other receivables	$ 6,029,178	$ 9,224,902	$ 15,254,080
Allowance for uncollectibles	(105,732)	-	(105,732)
Other receivables, net	$ 5,923,446	$ 9,224,902	$ 15,148,348
	Current receivable		$ 15,148,348
	Non-current receivable		-
	Total other receivable, net		$ 15,148,348

continued on following page

	Governmental Funds		Internal	Total Governmental
	Major	Non-major	Service Funds	Activities
Governmental activities				
Taxes				
Personal and corporate income	$ 309,725,732	$ -	$ -	$ 309,725,732
Sales and use	81,862,896	-	-	81,862,896
Meals and rooms	36,918,128	-	-	36,918,128
Purchase and use	174,756	-	-	174,756
Motor Fuel	109,397	2,630	-	112,027
Other taxes	35,260,036	-	-	35,260,036
Subtotal	464,050,945	2,630	-	464,053,575
Allowance for uncollectibles	(111,505,614)	-	-	(111,505,614)
Taxes receivable, net	$ 352,545,331	$ 2,630	$ -	$ 352,547,961
		Current receivable		$ 151,498,147
		Non-current receivable		201,049,814
		Total taxes receivable, net		$ 352,547,961
Loans and notes				
Loans and notes receivable	$ 288,932,254	$ -	$ 2,835,831	$ 291,768,085
Allowance for uncollectibles	(760,177)	-	-	(760,177)
Loans and notes receivable, net	$ 288,172,077	$ -	$ 2,835,831	$ 291,007,908
		Current receivable		$ 27,094,897
		Non-current receivable		263,913,011
		Total loans and notes receivable, net		$ 291,007,908

	Governmental Funds		Internal	Total Governmental
	Major	Non-major	Service Funds	Activities
Federal grants				
Human services	$ 251,907,362	$ -	$ -	$ 251,907,362
General education	77,369,336	-	-	77,369,336
Transportation	102,510,201	-	-	102,510,201
Other	57,905,089	77,098	-	57,982,187
Federal grants	$ 489,691,988	$ 77,098	$ -	$ 489,769,086

	Governmental Funds		Internal	Total Governmental
	Major	Non-major	Service Funds	Activities
Lease receivables				
Land	$ 3,582,250	$ 23,025	$ 152,502	$ 3,757,777
Buildings and improvements	250,663	-	472,092	722,755
Lease receivables	$ 3,832,913	$ 23,025	$ 624,594	$ 4,480,532
		Current receivable		$ 1,144,338
		Non-current receivable		3,336,194
		Total lease receivable,		$ 4,480,532
Other				
Accrued interest and other receivables	$ 187,171,191	$ 65,432	$ 18,767,367	$ 206,003,990
Allowance for uncollectibles	(46,657,999)	(6,295)	-	(46,664,294)
Other receivables, net	$ 140,513,192	$ 59,137	$ 18,767,367	159,339,696
Interfund loans receivable and due from other funds from Fiduciary Funds				388,033
Less Internal Service Funds' receivables from Governmental Funds				(5,507,166)
Other receivables, net				$ 154,220,563
		Current receivable		$ 60,530,148
		Non-current receivable		93,690,415
		Total other receivable, net		$ 154,220,563

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, 2022, are as follows:

	Due to Other Funds			
	Governmental Funds			
Due From Other Funds	General Fund	Transportation Fund	Education Fund	Special Fund
General Fund	$ -	$ 5,533	$ -	$ 111,241
Transportation Fund	2,800	-	-	-
Education Fund	1,044	-	-	-
Special Fund	764,928	448,864	37,632	-
Federal Revenue Fund	456,820	-	-	473,645
Global Commitment Fund	60,206,524	-	-	219,464
Liquor Control Fund	-	-	-	54,477
Non-major Enterprise Funds	-	-	-	56,434
Internal Service Funds	4,174,735	3,909,664	-	6,709,941
Fiduciary Funds	-	-	-	108,053
Total	$ 65,606,851	$ 4,364,061	$ 37,632	$ 7,733,255

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	$ 1,793,484	$ 1,443,060	$ 4,501	$ 11,292	$ -
Transportation Fund	236,427	-	-	-	-
Special Fund	30,722,089	138,534	98,567	378,849	-
Federal Revenue Fund	-	-	-	114,514	-
Global Commitment Fund	5	-	-	-	-
Non-major Enterprise Funds	-	-	-	-	384,179
Internal Service Funds	5,486,685	265,428	87,432	-	-
Total	$ 38,238,690	$ 1,847,022	$ 190,500	$ 504,655	$ 384,179

continued on following page

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	Due to Other Funds				
	Proprietary Funds				
Due From Other Funds	**Liquor Control Fund**	**State Lottery Fund**	**Non-major Enterprise Fund**	**Fiduciary Funds**	**Total**
General Fund	$ -	$ 154	$ -	$ 47	$ 3,369,312
Transportation Fund	-	-	-	-	239,227
Education Fund	-	116,318	-	-	117,362
Special Fund	873	-	410,434	36	33,000,806
Federal Revenue Fund	-	-	-	-	1,044,979
Global Commitment Fund	-	-	-	-	60,425,993
Liquor Control Fund	-	-	-	-	54,477
Non-major Enterprise Funds	-	-	-	-	440,613
Internal Service Funds	497,268	72,148	-	13,545	21,216,846
Fiduciary Funds	-	-	-	-	108,053
Total	$ 498,141	$ 188,620	$ 410,434	$ 13,628	$ 120,017,668

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, 2022, are summarized below:

Proprietary Funds	
State Lottery Fund	$ 300,000
Liquor Control Fund	75
Total	$ 300,075

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, 2022, are as follows:

(Table on next page.)

Interfund Payable	Interfund Receivable General Fund
Governmental Funds	
Non-major Governmental Funds	$ 27,338
Proprietary Funds	
Liquor Control Fund	5,386,015
Non-major Enterprise Funds	184,308
Internal Service Funds	38,727,636
Fiduciary Funds	
Pension and Other Postemployment Benefits Trust Funds	420
Custodial Funds	373,985
Total	$ 44,699,702

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, 2022, the advances to component units reported in the General Fund ($5,500,000) are advances to Vermont Economic Development Authority. The 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, 2022, these account balances are as follows:

	Vermont Housing & Conservation Board	Vermont Veterans' Home	Total
Due from Component Units			
General Fund	$ 781,779	$ 5,380,731	$ 6,162,510
Due to Component Units			
General Fund	(100,695,864)	-	(100,695,864)
Federal Fund	(76,492)	-	(76,492)
Non-major Governmental Funds	(5,804,182)	-	(5,804,182)
Total	$ (105,794,759)	$ 5,380,731	$ (100,414,028)

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 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, 2022, are as follows:

(Table on next page.)

	Transfers Out			
	Governmental Funds			
Transfers in	**General Fund**	**Transportation Fund**	**Special Fund**	**Federal Revenue Fund**
General Fund	$ -	$ -	$ 63,095,965	$ 4,641,961
Education Fund	-	-	11,452,313	-
Special Fund	92,923,090	5,094,555	-	4,582,996
Federal Revenue Fund	-	-	412	-
Global Commitment Fund	422,563,667	-	28,362,287	-
Non-major Governmental Funds	72,953,869	20,883,805	29,940	-
Internal Service Funds	20,600,000	1,428,431	-	-
Total	$ 609,040,626	$ 27,406,791	$ 102,940,917	$ 9,224,957

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	$ -	$ -	$ 22,750,000	$ -
Education Fund	-	-	-	31,136,102
Special Fund	29,025,634	86,440	8,356	-
Federal Revenue Fund	-	7,911,798	-	-
Total	$ 29,025,634	$ 7,998,238	$ 22,758,356	$ 31,136,102

continued below

	Transfers Out	
	Proprietary Funds	
Transfers in	**Non-major Enterprise Funds**	**Total**
General Fund	$ -	$ 90,487,926
Education Fund	-	42,588,415
Special Fund	938,000	132,659,071
Federal Revenue Fund	-	7,912,210
Global Commitment Fund	-	450,925,954
Non-major Governmental Funds	-	93,867,614
Internal Service Funds	-	22,028,431
Total	$ 938,000	$ 840,469,621

E. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2022, was as follows:

Primary Government Governmental Activities	Restated* Beginning Balance	Additions	Deletions	Reclassifications	Ending Balance
Capital assets, not being depreciated					
Land, land use rights, and land improvements	$ 165,082,919	$ 5,239,454	$ -	$ -	$ 170,322,373
Construction in process	652,380,348	301,045,096	(184,255,580)	(7,897,855)	761,272,009
Works of art	136,003	-	-	-	136,003
Total capital assets, not being depreciated	817,599,270	306,284,550	(184,255,580)	(7,897,855)	931,730,385
Capital assets, being depreciated					
Buildings and improvements	759,842,915	2,908,281	(22,385)	-	762,728,811
Machinery and equipment	611,466,638	16,401,096	(22,232,735)	-	605,634,999
Infrastructure	3,165,392,066	173,228,103	(32,657,247)	-	3,305,962,922
Total capital assets, being depreciated	4,536,701,619	192,537,480	(54,912,367)	-	4,674,326,732
Less accumulated depreciation for					
Buildings and improvements	(341,979,773)	(22,989,745)	19,535	-	(364,949,983)
Machinery and equipment	(433,111,329)	(63,296,672)	16,758,099	-	(479,649,902)
Infrastructure	(1,346,957,519)	(123,792,832)	32,657,247	-	(1,438,093,104)
Total accumulated depreciation	(2,122,048,621)	(210,079,249)	49,434,881	-	(2,282,692,989)
Capital assets, being depreciated, net	2,414,652,998	(17,541,769)	(5,477,486)	-	2,391,633,743
Governmental activities capital assets, net, excluding intangible right-to-use lease assets	$3,232,252,268	$288,742,781	$(189,733,066)	$ (7,897,855)	3,323,364,128
Intangible right-to-use lease assets, net (Note IV.E)					82,916,580
Total Governmental activities capital assets, net					$3,406,280,708

* The beginning balance was restated due to the implementation of GASB Statement No. 87.

Business-type Activities	Beginning Balance	Additions	Deletions	Reclassifications	Ending Balance
Capital assets, being depreciated					
Buildings and improvements	$ 59,935	$ -	$ -	$ -	$ 59,935
Machinery and equipment	6,033,811	127,781	(103,038)	-	6,058,554
Total capital assets, being depreciated	6,093,746	127,781	(103,038)	-	6,118,489
Less accumulated depreciation for					
Buildings and improvements	(59,935)	-	-	-	(59,935)
Machinery and equipment	(2,267,273)	(585,132)	103,038	-	(2,749,367)
Total accumulated depreciation	(2,327,208)	(585,132)	103,038	-	(2,809,302)
Capital assets, being depreciated, net	3,766,538	(457,351)	-	-	3,309,187
Business-type activities capital assets, net	$ 3,766,538	$ (457,351)	$ -	$ -	$ 3,309,187

Fiduciary Activities	Beginning Balance	Additions	Deletions	Reclassifications	Ending Balance
Capital assets, being depreciated					
Machinery and equipment	$ 8,290,727	$ 28,296	$ -	$ -	$ 8,319,023
Total capital assets, being depreciated	8,290,727	28,296	-	-	8,319,023
Less accumulated depreciation for					
Machinery and equipment	(6,295,498)	(653,079)	-	-	(6,948,577)
Total accumulated depreciation	(6,295,498)	(653,079)	-	-	(6,948,577)
Fiduciary activities capital assets, net	$ 1,995,229	$ (624,783)	$ -	$ -	$ 1,370,446

Primary Government

Governmental Activities	Beginning Balance	Additions	Deletions	Reclassifications	Ending Balance
Intangible right-to-use lease assets:					
Land	$ -	$ 235,660	$ -	$ -	$ 235,660
Buildings and improvements	-	94,831,656	(584,272)	-	94,247,384
Machinery and equipment	-	574,397	-	-	574,397
Total intangible right-to-use lease assets:	-	95,641,713	(584,272)	-	95,057,441
Less accumulated amortization for:					
Land	-	(30,917)	-	-	(30,917)
Buildings and improvements	-	(12,300,394)	377,047	-	(11,923,347)
Machinery and equipment	-	(186,597)	-	-	(186,597)
Total accumulated amortization	-	(12,517,908)	377,047	-	(12,140,861)
Total governmental activities intangible right-to-use lease assets, net	$ -	$ 83,123,805	$ (207,225)	$ -	$ 82,916,580

Current period depreciation and amortization expense was charged to functions of the Primary Government as follows:

Governmental Activities		Business-type Activities	
General Government	$ 25,800,201	Liquor Control Fund	$572,884
Protection to Persons and Property	9,998,703	State Lottery Fund	12,248
Human Services	37,256,253		
Labor	37,159	**Total**	$585,132
General Education	1,116,730		
Natural Resources	3,131,479		
Commerce & Community Development	267,423	**Fiduciary Activities**	
Transportation	122,672,751		
Depreciation on capital assets held by		Pension Trust Funds	$651,464
Internal Service Funds	22,316,458	Private Purpose Trust Fund	1,615
Total	$222,597,157	**Total**	$653,079

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. 4.

Deferred outflows and inflows balances in the government-wide Statement of Net Position at June 30, 2022 are as follows:

Deferred outflows	Total Governmental Activities	Total Business-type Activities	Total Primary Government
Loss on refunding of bonds payable	$ 2,641,926	$ -	$ 2,641,926
Pension related outflows	1,008,294,312	2,638,646	1,010,932,958
OPEB related outflows	447,986,343	3,980,780	451,967,123
Total	$ 1,458,922,581	$ 6,619,426	$ 1,465,542,007

Deferred Inflows	Total Governmental Activities	Total Business-type Activities	Total Primary Government
Prepaid property taxes	$ 2,587,492	$ -	$ 2,587,492
Gain on refunding of bonds payable	53,930	-	53,930
Lease related inflows	4,746,654	-	4,746,654
Pension related inflows	488,023,582	1,884,151	489,907,733
OPEB related inflows	238,904,569	9,135,972	248,040,541
Total	$ 734,316,227	$ 11,020,123	$ 745,336,350

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 & Special 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.

Special obligation transportation infrastructure bonds are limited obligations of the State of Vermont payable from and secured solely by a pledge of funds held in trust by the Peoples United Bank in accordance with the terms of a Trust Agreement. Funding sources for the pledged funds are funds to be received from the Motor Fuel Infrastructure Assessments as authorized by Act 50 of the 2009 legislative session. The proceeds from this issue are expected to be expended for transportation infrastructure purposes, namely the rehabilitation or replacement of State bridges, and construction of roadway capacity projects. During fiscal year 2022 the State redeemed the remaining special obligation transportation infrastructure bonds outstanding with existing cash on hand.

The changes in bonds principal payable for fiscal year 2022 are summarized in the following schedule:

	General Obligation Bonds	Special Obligation Bonds	Total Obligation Bonds
Balance, July 1, 2021	$ 629,710,000	$ 21,710,000	$ 651,420,000
Deductions:			
Redemptions	(50,710,000)	(21,710,000)	(72,420,000)
Total	(50,710,000)	(21,710,000)	(72,420,000)
Balance, June 30, 2022	$ 579,000,000	$ -	$ 579,000,000

General obligation outstanding at June 30, 2022, are shown on the following page:

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	$ 7,295,000	$ -	$ 7,295,000
10/11/2012	8/15/2032	2.0 to 5.0	66,420,000	43,950,000	-	43,950,000
11/14/2013	8/15/2028	2.0 to 5.0	25,000,000	6,045,000	-	6,045,000
11/14/2013	8/15/2033	2.0 to 5.0	42,810,000	34,635,000	-	34,635,000
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	6,960,000	-	6,960,000
12/9/2014	8/15/2034	5	53,245,000	40,835,000	-	40,835,000
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	16,650,000	-	16,650,000
10/22/2015	8/15/2035	2.625 to 5.0	61,345,000	46,240,000	-	46,240,000
10/22/2015	8/15/2028	2.0 to 4.0	25,720,000	15,830,000	1,820,000	17,650,000
9/13/2017	8/15/2037	2.0 to 5.0	34,700,000	24,770,000	-	24,770,000
9/13/2017	8/15/2037	2.25 to 5.0	71,395,000	60,105,000	-	60,105,000
8/15/2019	2/15/2039	3.0 to 5.0	88,255,000	75,010,000	-	75,010,000
8/15/2019	8/15/2029	2.0 to 5.0	39,525,000	24,910,000	-	24,910,000
5/18/2021	8/15/2040	2.0 to 5.0	82,185,000	82,185,000	-	82,185,000
5/18/2021	8/15/2030	5	31,560,000	28,325,000	-	28,325,000
5/18/2021	8/15/2030	4.0 to 5.0	39,580,000	39,422,180	157,820	39,580,000
Total General Obligation Current Interest Bonds				**$ 577,022,180**	**$ 1,977,820**	**$ 579,000,000**

At June 30, 2022, there remains $198,083,418 of authorized but unissued general obligation bonds.

Future general obligation debt service requirements at June 30, 2022 are as follows:

Fiscal Year	General Obligation Current Interest Bonds: Principal	General Obligation Current Interest Bonds: Interest	Total
2023	$ 51,245,000	$ 22,313,513	$ 73,558,513
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
2028-2032	192,335,000	42,099,475	234,434,475
2033-2037	110,620,000	12,561,347	123,181,347
2038-2042	31,420,000	1,183,399	32,603,399
Totals	$ 579,000,000	$ 145,437,616	$ 724,437,616

2. Bond Refundings

The State has no defeased bonds that remained outstanding on June 30, 2022.

3. Leases

A. Lease Receivable

The State, acting as lessor, leases land, buildings, and 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, 2022, the State recognized $944,512 and $34,977 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, 2022, 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, 2022, the State received variable payments as required by lease agreements totaling $4,216,624.

B. Lease Liabilities

The State routinely leases for land, buildings, and 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, 2022, 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, 2022, the State made variable payments as required by lease agreements totaling $19,799.

The future principal and interest lease payments as of June 30, 2022, are as follows:

(Table on next page.)

	Primary Government		
Fiscal Year	**Principal**	**Interest**	**Total**
2023	$ 11,344,547	$ 1,203,041	$ 12,547,588
2024	10,690,128	1,085,838	11,775,966
2025	9,055,583	968,642	10,024,225
2026	7,546,619	855,275	8,401,894
2027	7,055,442	744,046	7,799,488
2028 - 2032	32,591,573	1,973,857	34,565,430
2033 - 2037	5,815,824	108,805	5,924,629
Totals	$ 84,099,716	$ 6,939,504	$ 91,039,220

4. 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 4. A. below, those relating to defined contribution pension plans are included in 4. B. below, and those relating to other postemployment benefits (OPEB) are included in 4. C. 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, 2022. 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 2022 employer contribution rate was 25.50% of payroll and consists of the following two components: 19.50% for Vermont State Retirement System defined benefit pension plan (VSRS) and 6.00% for the Vermont State Postemployment Benefits Trust Fund defined benefit OPEB plan (VSPB). The rates reflect estimates to fund the VSRS actuarially determined contribution and the VSPB pay-as-you-go amounts. These amounts are estimates and may differ from the funding required to meet VSPB pay-as-you-go amounts. Currently, contributions in excess of VSPB pay-as-you-go amounts are deposited directly to VSRS. Contributions to VSRS and VSPB totaled $197.5 million and $35.2 million, respectively, for the fiscal year ended June 30, 2022. In fiscal year 2022, the State made an additional contribution of $78.7 million to the VSRS from the General Fund that was not based on the employer established contribution rate.

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, 2022, 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, 2022.

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, 2022, the retirement system consisted of 134 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, 2022, the retirement system consisted of 360 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:

- General employees who did not join the non-contributory system on July 1, 1981 (Group A);
- State police, law enforcement positions, and airport firefighters (Group C);
- Judges (Group D); and
- Terminated vested members of the non-contributory system and all other general employees (Group F).

Membership of the State Teachers' Retirement System is made up of the following:

- General teachers who did not join the non-contributory system on July 1, 1981 (Group A); and
- Terminated vested members of the non-contributory system and all other general teachers (Group C).

Membership of the Vermont Municipal Employees' Retirement System is made up of the following:

- General employees whose legislative bodies have not elected to become a member of Group B or Group C (Group A);
- General employees whose legislative bodies have elected to become members of Group B or Group C (Group B & C); and
- Sworn police officers, firefighters and emergency medical personnel (Group D)

At June 30, 2022, the State Treasurer's Office reports the following membership of each of the defined benefit plans by status and group:

(Table on next page.)

	Vermont State Retirement System	Vermont State Teachers Retirement System	Vermont Municipal Employees Retirement System
Total Active Members	8,324	10,387	8,059
Retirees and beneficiaries currently receiving benefits	7,963	10,295	4,149
Terminated employees entitled to benefits but not yet receiving them (vested)	815	938	1,048
Inactive members	2,012	2,932	3,997
Total Members	19,114	24,552	17,253

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, 2022, 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	8.53% of gross payroll	6.65% of gross payroll	6.65% of gross payroll
Employer Contributions	19.50% of gross payroll	19.50% of gross payroll	19.5% of gross payroll	19.50% of gross payroll

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, 2022, for the various groups are as follows:

Vermont State Teachers Retirement System	Group A	Group C - Group #1	Group C - Group #2
Employee Contributions	5.50% of gross salary	5.00% of gross salary	5.00% of gross salary for members with at least 5 years of service as of 7/1/2014, and 6.00% of gross salary for members with less than 5 years of service as of 7/1/2014
Non-employer Contributions	Appropriation based on June 2020 actuarial recommendation of amount needed to fund benefits earned during the year (5.58% of projected payroll), plus amount needed to liquidate the accrued liability over the remaining amortization period ($157,304,971).		

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, 2022, for the various groups are as follows:

Vermont Municipal Employees Retirement System	Group A	Group B	Group C	Group D
Employee Contributions	3.250% of gross salary	5.625% of gross salary	10.750% of gross salary	12.100% of gross salary
Employer Contributions	4.750% of gross salary	6.250% of gross salary	8.000% of gross salary	10.600% 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 98.4031% of the VSRS net pension liability. The Vermont Veterans' Home (a discrete component unit) is responsible for 1.5969% 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 is 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, 2022) and for the State's reporting period (the

year ended June 30, 2022). 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, 2022, the State has chosen to use the end of the prior fiscal year (June 30, 2021) as the measurement date, and the year ended June 30, 2021, 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, 2020, to the measurement date of June 30, 2021. 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, 2020	$ 3,070,253	$ 1,959,067	$ 1,111,186	$ 3,902,618	$ 1,951,490	$ 1,951,128
Changes for the year:						
Service cost	70,993	-	70,993	72,149	-	72,149
Interest	214,277	-	214,277	270,700	-	270,700
Difference between expected and actual experience	59,818	-	59,818	88,065	-	88,065
Contributions - employer	-	88,944	(88,944)	-	-	-
Contributions - non-employer	-	-	-	-	125,910	(125,910)
Contributions - employee	-	42,113	(42,113)	-	42,199	(42,199)
Net investment income	-	497,423	(497,423)	-	512,194	(512,194)
Benefit payments, including refunds of contributions	(160,291)	(160,291)	-	(215,249)	(215,249)	-
Administrative expenses	-	(2,281)	2,281	-	(2,782)	2,782
Other changes	-	247	(247)	-	9,031	(9,031)
Net changes	184,797	466,155	(281,358)	215,665	471,303	(255,638)
Balances - June 30, 2021	$ 3,255,050	$ 2,425,222	$ 829,828	$ 4,118,283	$ 2,422,793	$ 1,695,490
Fiduciary net position as a percentage of total pension liability			74.51%			58.83%

Proportionate Share of Net Pension Liability

	Vermont State Retirement System			
		Proportionate Share		
	Amount	2021	2020	Change
Governmental activities	$ 811,034	97.7352%	97.6699%	0.0653%
Business type activities	5,543	0.6679%	0.6549%	0.0130%
Discrete component unit	13,251	1.5969%	1.6752%	-0.0783%
Total net pension liability	829,828	100.0000%	100.0000%	

	State Teachers' Retirement System			
		Proportionate Share		
	Amount	2021	2020	Change
Governmental activities	1,695,490	100.0000%	100.0000%	0.0000%
Total governmental activities net pension liability	$ 2,506,524			

Additional information regarding the changes in the net pension liability for the year ended June 30, 2022, 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, 2023. As of June 30, 2022, 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	$ 102,802	$ -	$ 1,668	$ -
Changes of assumptions	144,632	-	2,347	-
Net differences between projected and actual earnings on plan investments	-	234,196	-	3,800
Change in proportion and the effect of certain employer contributions on the employer's net pension liability	1,144	488	180	836
Employer contributions made subsequent to the measurement date	195,753	-	1,770	-
Total	$ 444,331	$ 234,684	$ 5,965	$ 4,636

	State Teachers' Retirement System	
	Primary Government	
Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 96,455	$ -
Changes of assumptions	155,483	-
Net differences between projected and actual earnings on plan investments	-	255,224
Change in proportion and the effect of certain employer contributions on the employer's net pension liability	-	-
Employer contributions made subsequent to the measurement date	314,664	-
Total	$ 566,602	$ 255,224

	Primary Government	
	Total	
Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 199,257	$ -
Changes of assumptions	300,115	-
Net differences between projected and actual earnings on plan investments	-	489,420
Change in proportion and the effect of certain employer contributions on the employer's net pension liability	1,144	488
Employer contributions made subsequent to the measurement date	510,417	-
Total	$ 1,010,933	$ 489,908

The amounts reported as deferred pension outflows of resources resulting from employer contributions made subsequent to the measurement date (VSRS - $195.753 million Primary Government and $1.770 million Component Units; and STRS - $314.664 million Primary Government), will be recognized as a reduction of the net pension liability at June 30, 2023. 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
2023	$ 49,896	$ 24,042	$ 73,938	$ 304
2024	41,920	12,684	54,604	55
2025	(49,051)	(6,794)	(55,845)	(320)
2026	(60,727)	(25,951)	(86,678)	(537)
2027	14,676	9,913	24,589	57
Total	$ (3,286)	$ 13,894	$ 10,608	$ (441)

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, 2022, is as follows (amounts are in thousands):

(Table on next page.)

	State Teachers' Retirement System Primary Government	Vermont State Retirement System Primary Government	Total Primary Government	Vermont State Retirement System Discrete Component Units
Service cost	$ 72,149	$ 69,859	$ 142,008	$ 1,134
Interest on total pension liability	270,700	210,855	481,555	3,422
Employee contributions	(42,199)	(41,440)	(83,639)	(673)
Plan administrative costs	2,782	2,245	5,027	36
Other changes	(9,031)	(243)	(9,274)	(4)
Projected earnings on plan investments	(135,173)	(133,868)	(269,041)	(2,172)
Recognition (amortization) of deferred pension outflows of resources:				
Difference between expected and actual experience	14,677	9,810	24,487	159
Recognition of deferred outflows from prior periods	125,490	89,377	214,867	1,451
Changes in proportional share of contributions	-	373	373	122
Recognition (amortization) of deferred pension inflows of resources:				
Net difference between projected and actual investment earnings	(75,404)	(71,122)	(146,526)	(1,154)
Recognition of deferred inflows from prior periods	(17,541)	(12,174)	(29,715)	(198)
Changes in proportional share of contributions	-	(253)	(253)	(242)
Total Pension Expense	$ 206,450	$ 123,419	$ 329,869	$ 1,881

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, 2020, for VSRS and STRS.

(Table on next page.)

	VSRS	STRS
Valuation date	6/30/2020*	6/30/2020*
Inflation assumptions	2.30%	2.30%
Investment rate of return	7.00%	7.00%
Projected salary increases	3.40% - 5.55%	3.30% - 10.50%
Cost of living adjustments	The January 1, 2021 COLA: Groups A, C, D, F (retired on or after 7/1/2008) - 0.0%, Group F (retired before 7/1/2008) - 1.0%	The January 1, 2021 COLA: Group A: 0.0%; Group C: 1.0%
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 A: 2.40%; Group C: 1.35%.
Census Data for 2020 Valuation Retired members or beneficiaries currently receiving benefits	7,424	9,843
Inactive members	1,482	2,710
Active members	8,539	9,996
Terminated vested members	768	887
Total membership	18,213	23,436
*Valuation date is rolled forward to the measurement date of June 30, 2021 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, 2020 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, 2021, measurement date are summarized in the following table:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Global Equity	24.00%	5.05%
US Equity – Large Cap	5.00%	5.05%
US Equity – Small/Mid Cap	4.00%	4.00%
Non-US Equity – Large Cap	3.00%	4.50%
Non-US Equity – Small Cap	7.00%	5.50%
Emerging Markets Debt	10.00%	6.75%
Core Bond	4.00%	3.00%
Private & Alternate Credit	10.00%	4.75%
US TIPS	4.00%	5.75%
Core Real Estate	19.00%	0.00%
Non-Core Real Estate	4.00%	3.75%
Private Equity	3.00%	-0.50%
Infrastructure/Farmland	3.00%	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, 2021 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, 2021, measurement date was 24.59% for VSRS, and 24.75% for STRS. Amounts for the prior year were 3.90%, and 4.10% 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, 2021, 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):

	VSRS	STRS
One-percent decrease		
Discount rate	6.00%	6.00%
Net pension liability	$ 1,254,767	$ 2,220,769
Net pension liability, as reported		
Discount rate	7.00%	7.00%
Net pension liability	$ 829,828	$ 1,695,490
One-percent increase		
Discount rate	8.00%	8.00%
Net pension liability	$ 480,073	$ 1,261,020

Payable to the Defined Benefit Pension Plan (Employer Reporting)

At June 30, 2022, the State reported a payable of $4,917,840 for the outstanding amount of contributions to the VSRS pension plan required for the year ended June 30, 2022.

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, 2022. 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, 2021, were rolled forward to the pension plans' fiscal year end of June 30, 2022. 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, 2022, 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	$ 3,400,579	$ 4,267,972	$ 1,149,351
Fiduciary net position	(2,276,645)	(2,339,413)	(845,979)
Net pension liability	$ 1,123,934	$ 1,928,559	$ 303,372
Fiduciary net position as a percentage of total pension liability	66.95%	54.81%	73.60%

Additional information regarding changes in the net pension liability for the year ended June 30, 2022, can be found in the Required Supplementary Information section immediately following these notes to the financial statements.

Actuarial Assumptions (Plan Reporting)

The June 30, 2022, total pension liability was determined by rolling forward the total pension liability as of June 30, 2021, to June 30, 2022, using the actuarial assumptions and methods used in the June 30, 2021 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	6/30/2021*	6/30/2021*	6/30/2021*
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	3.40% - 5.55%	3.55% - 10.50%	4.50% - 7.00%
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%	The January 1, 2022 COLA: Group A: 2.0%; Groups B, C, & D: 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%	Group A - 1.10%, Groups B,C & D - 1.20%
Census Data for 2021 Valuation			
Retired members or beneficiaries currently receiving benefits	7,716	10,106	3,938
Inactive members	1,716	2,915	3,343
Active members	8,192	9,955	7,879
Terminated vested members	771	911	998
Total membership	18,395	23,887	16,158
*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: 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.

Vermont Municipal Employees Retirement System

- *Pre-retirement Mortality*: Groups A/B/C: 40% PubG-2010 General Employee amount-weighted below-median and 60% of 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 Mortality*: Groups A/B/C: 104% of 40% PubG-2010 General Healthy Retiree amount-weighted below-median and 60% of PubG-2010 General 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 Mortality*: 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. Group D: Pub-2010 Contingent Survivor amount-weighted, 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.

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, 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 2.30%.

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, 2022, was -7.42% for VSRS, -7.41% for STRS, and -7.88% for MERS. Amounts for the prior year were 24.59%, 24.75% and 24.32% 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	$ 1,562,330	$ 2,455,235	$ 454,590
Net pension liability, as reported			
Discount rate	7.00%	7.00%	7.00%
Net pension liability	$ 1,123,934	$ 1,928,559	$ 303,372
One-percent increase			
Discount rate	8.00%	8.00%	8.00%
Net pension liability	$ 762,918	$ 1,490,986	$ 178,989

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, 2022

	Vermont State Retirement Fund	State Teachers' Retirement Fund	Vermont Municipal Employees' Retirement Fund
Assets			
Cash and short term investments	$ 22,781,881	$ 16,761,257	$ 5,407,263
Receivables			
Contributions - current	6,981,973	6,425,073	6,221,909
Contributions - non-current	-	-	5,736,798
Investments sold	5,309,603	5,386,423	1,977,271
Interest and dividends	905,847	932,351	651,292
Due from other funds	74,822	10,269	247,773
Other	1,610,939	5,656,091	898,204
Investments			
Fixed income	128,651,224	131,966,139	48,155,258
Equities	209,763,371	216,064,666	73,932,086
Mutual and commingled funds	1,496,507,550	1,538,800,643	558,488,401
Private partnerships	431,376,299	444,112,262	154,043,839
Prepaid expenses	68,602	78,130	43,984
Capital assets, net of depreciation	521,831	616,012	229,667
Total assets	2,304,553,942	2,366,809,316	856,033,745
Liabilities			
Accounts payable	1,423,394	280,210	131,222
Investments purchased	26,479,971	27,111,406	9,909,559
Due to other funds	5,033	4,755	13,493
Interfund loan payable	420	-	-
Total liabilities	27,908,818	27,396,371	10,054,274
Net position restricted for employees' pension benefits	$ 2,276,645,124	$ 2,339,412,945	$ 845,979,471

Statement of Changes in Fiduciary Net Position
Defined Benefit Plans
For the Fiscal Year Ended June 30, 2022

	Vermont State Retirement Fund	State Teachers' Retirement Fund	Vermont Municipal Employees' Retirement Fund
Additions			
Contributions			
Employer - pension benefit	$ 197,523,008	$ -	$ 25,217,676
Non-employer - pension benefit	-	314,663,632	-
Plan member	44,654,960	44,597,049	25,025,242
Transfers from other pension trust funds	862,283	466,281	650,984
Other revenues	-	10,581,196	-
Total contributions	243,040,251	370,308,158	50,893,902
Investment Income			
Net appreciation (depreciation) in fair value of investments	(229,545,692)	(238,234,426)	(87,174,094)
Dividends	14,389,796	15,295,950	5,342,116
Interest income	2,393,146	2,551,174	1,346,625
Other income	2,942	3,495	726
Total investment income/(loss)	(212,759,808)	(220,383,807)	(80,484,627)
Less Investment Expenses			
Investment managers and consultants	2,714,103	2,891,218	1,023,138
Net investment income/(loss)	(215,473,911)	(223,275,025)	(81,507,765)
Total additions	27,566,340	147,033,133	(30,613,863)
Deductions			
Retirement benefits	167,690,557	224,727,608	44,227,059
Refunds of contributions	4,386,131	2,253,448	2,541,159
Death claims	813,731	484,143	387,362
Transfers to other pension trust funds	901,054	233,245	982,827
Depreciation	248,439	292,837	110,188
Administration expenses	2,103,712	2,422,415	1,192,401
Total deductions	176,143,624	230,413,696	49,440,996
Change in net position	(148,577,284)	(83,380,563)	(80,054,859)
Net position restricted for employees' pension benefits			
July 1, 2021	2,425,222,408	2,422,793,508	926,034,330
June 30, 2022	$ 2,276,645,124	$ 2,339,412,945	$ 845,979,471

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, 2022, member contributions totaled $744,962 with State employer contributions at $1,909,740. As of June 30, 2022, the Vermont State Defined Contribution Plan's net position totaled $73,101,717 and there were 547 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, 2022, member contributions totaled $452,676 and employer contributions at $461,566. As of June 30, 2022, the Municipal Employees' Defined Contribution Plan's net position totaled $25,823,524 and there were 431 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 employment. At June 30, 2022 there were 816 members, with net position of $28,448,281 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, 2022

	Vermont State Defined Contribution Fund	Single Deposit Investment Account	Vermont Municipal Employees' Defined Contribution Fund
Assets			
Cash and short term investments	$ 76,474	$ -	$ 58,337
Receivables			
Contributions	84,120	-	14,051
Other	7,660	-	1,179
Investments			
Mutual and commingled funds	73,002,124	28,448,281	25,997,894
Prepaid expenses	27,673	-	221
Total assets	73,198,051	28,448,281	26,071,682
Liabilities			
Accounts payable	21,512	-	385
Due to other funds	74,822	-	247,773
Total liabilities	96,334	-	248,158
Net position restricted for employees' pension benefits	$ 73,101,717	$ 28,448,281	$ 25,823,524

Statement of Changes in Fiduciary Net Position
Defined Contribution Plans
For the Fiscal Year Ended June 30, 2022

	Vermont State Defined Contribution Fund	Single Deposit Investment Account	Vermont Municipal Employees' Defined Contribution Fund
Additions			
Contributions			
Employer - pension benefit	$ 1,909,740	$ -	$ 461,566
Plan member	744,962	-	452,676
Transfers from other pension trust funds	111,339	-	26,239
Transfers from non-state systems	41,955	-	-
Total contributions	2,807,996	-	940,481
Investment Income			
Net appreciation (depreciation) in fair value of investments	(13,775,560)	-	(5,457,933)
Dividends	1,592,961	588,357	545,026
Interest income	269	-	308
Other income	11,402	-	1,670
Total investment income/(loss)	(12,170,928)	588,357	(4,910,929)
Less Investment Expenses			
Investment managers and consultants	-	41,934	-
Net investment income/(loss)	(12,170,928)	546,423	(4,910,929)
Total additions	(9,362,932)	546,423	(3,970,448)
Deductions			
Retirement benefits	2,228,582	2,885,673	306,308
Transfers to non-state systems	6,533,268	389,844	2,004,228
Operating expenses	145,393	205	135,271
Total deductions	8,907,243	3,275,722	2,445,807
Change in net position	(18,270,175)	(2,729,299)	(6,416,255)
Net position restricted for employees' pension benefits			
July 1, 2021	91,371,892	31,177,580	32,239,779
June 30, 2022	$ 73,101,717	$ 28,448,281	$ 25,823,524

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 employers 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, 2022.

Plan Descriptions and Contribution Information

Vermont State Postemployment Benefits Trust Fund
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 4.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; however, the State has normally elected to pay State contributions to fund current year retiree health care expenses on a pay-as-you-go basis. State contributions for the fiscal year ended June 30, 2022, were $35,170,057, which is 6.07% 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 4.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; however, the State has elected to appropriate State contributions to fund current year retiree health care expenses on a pay-as-you-go basis. But, in fiscal year 2022, the State made an additional contribution of $13.3 million to the RTHMB from the Education Fund that was above the pay-as-you-go amount. State contributions for the fiscal year ended June 30, 2022, were $54,202,861, which is 8.24% 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 plan information are available 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 2022 there were 134 participating employers in the STRS - RTHMB plan.

Membership in the plans consisted of the following at June 30, 2022:

	VSRS - VSPB	STRS - RTHMB
Retired members or beneficiaries currently receiving benefits	5,653	7,318
Retired members or beneficiaries not receiving benefits	-	2,977
Vested terminated members entitled to but not yet receiving benefits	-	3,870
Active members	8,532	10,387
Total	14,185	24,552

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 99.3278% of the VSPB net OPEB liability. The Vermont Veterans' Home (a discrete component unit) is responsible for 0.6722% 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 is 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, 2022) and for the State's reporting period (the year ended June 30, 2022). 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, 2022, the State has chosen to use the end of the prior fiscal year (June 30, 2021) as the measurement date, and the year ended June 30, 2021, 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, 2020, to the measurement date of June 30, 2021. 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, 2020	$ 1,482,970	$ 57,592	$ 1,425,378	$ 1,268,119	$ 8,719	$ 1,259,400
Changes for the year:						
Service cost	63,318	-	63,318	50,729	-	50,729
Interest	34,088	-	34,088	28,809	-	28,809
Benefit changes	-	-	-	(75,248)	-	(75,248)
Difference between expected and actual experience	4,953	-	4,953	33,179	-	33,179
Changes of assumptions	43,573	-	43,573	15,408	-	15,408
Contributions - non-employer	-	-	-	-	36,639	(36,639)
Contributions - employer	-	90,463	(90,463)	-	-	-
Net investment income	-	7,775	(7,775)	-	53	(53)
Benefit payments, including refunds of contributions	(35,561)	(35,561)	-	(30,775)	(30,775)	-
Administrative expenses	-	(1)	1	-	(2)	2
Net changes	110,371	62,676	47,695	22,102	5,915	16,187
Balances - June 30, 2021	$ 1,593,341	$ 120,268	$ 1,473,073	$ 1,290,221	$ 14,634	$ 1,275,587
Fiduciary net position as a percentage of total OPEB liability			7.55%			1.13%

Proportionate Share of Net OPEB Liability

	VSRS - VSPB			
		Proportionate Share		
	Amount	2021	2020	Change
Governmental activities	$ 1,459,004	99.0449%	97.6613%	1.3836%
Business type activities	4,166	0.2828%	0.6605%	-0.3777%
Discrete component unit	9,903	0.6722%	1.6782%	-1.0060%
Total net OPEB liability	1,473,073	100.0000%	100.0000%	

	STRS - RTHMB			
		Proportionate Share		
	Amount	2021	2020	Change
Governmental activities	1,275,587	100.0000%	100.0000%	0.0000%
Total governmental activities net OPEB liability	$ 2,734,591			

Additional information regarding the changes in the net OPEB liability for the year ended June 30, 2022, 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, 2022, 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	$ 26,184	$ -	$ 177	$ -
Changes of assumptions	130,227	223,351	881	1,511
Net differences between projected and actual earnings on plan investments	-	432	-	3
Change in proportion and the effect of certain employer contributions on the employer's net OPEB liability	32,920	20,036	8,313	21,197
Employer contributions made subsequent to the measurement date	34,644	-	526	-
Total	$ 223,975	$ 243,819	$ 9,897	$ 22,711

Source	STRS - RTHMB Primary Government Deferred Outflows of Resources	STRS - RTHMB Primary Government Deferred Inflows of Resources
Differences between expected and actual experience	$ 54,891	$ -
Changes of assumptions	118,898	4,039
Net differences between projected and actual earnings on plan investments	-	183
Change in proportion and the effect of certain employer contributions on the employer's net OPEB liability	-	-
Employer contributions made subsequent to the measurement date	54,203	-
Total	$ 227,992	$ 4,222

Source	Primary Government Total Deferred Outflows of Resources	Primary Government Total Deferred Inflows of Resources
Differences between expected and actual experience	$ 81,075	$ -
Changes of assumptions	249,125	227,390
Net differences between projected and actual earnings on plan investments	-	615
Change in proportion and the effect of certain employer contributions on the employer's net OPEB liability	32,920	20,036
Employer contributions made subsequent to the measurement date	88,847	-
Total	$ 451,967	$ 248,041

The amounts reported as deferred OPEB outflows of resources resulting from employer contributions made subsequent to the measurement date (VSRS-VSPB - $34.644 million Primary Government and $0.526 million Component Units; and STRS - RTHMB - $54.203 million Primary Government), will be recognized as a reduction of the net OPEB liability at June 30, 2023. 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
2023	$ 76,342	$ (37,413)	$ 38,929	$ (2,451)
2024	58,451	(37,563)	20,888	(2,452)
2025	16,737	(28,366)	(11,629)	(2,395)
2026	7,828	1,599	9,427	(2,257)
2027	7,676	26,404	34,080	(1,422)
Thereafter	2,533	20,851	23,384	(2,363)
Total	$ 169,567	$ (54,488)	$ 115,079	$ (13,340)

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, 2022, is as follows (amounts are in thousands):

	Primary Government		Primary Government	Component Units
	STRS - RTHMB	VSRS - VSPB	TOTAL	VSRS - VSPB
Service cost	$ 50,729	$ 62,892	$ 113,621	$ 426
Interest on total OPEB liability	28,809	33,859	62,668	229
Changes in benefit terms	(75,248)	-	(75,248)	-
Plan administrative costs	2	1	3	-
Projected earnings on plan investments	(815)	(5,913)	(6,728)	(40)
Recognition (amortization) of deferred OPEB outflows of resources:				
Difference between expected and actual experience	5,242	659	5,901	4
Change in assumptions	2,434	5,794	8,228	39
Difference between projected and actual investment earnings	152	-	152	-
Recognition of deferred outflows from prior periods	79,526	22,048	101,574	149
Changes in Proportions	-	5,909	5,909	1,582
Recognition (amortization) of deferred OPEB inflows of resources:				
Difference between projected and actual investment earnings	-	(362)	(362)	(2)
Recognition of deferred inflows from prior periods	(15,109)	(67,691)	(82,800)	(458)
Changes in Proportions	-	(3,726)	(3,726)	(3,765)
Total OPEB Expense	$ 75,722	$ 53,470	$ 129,192	$ (1,836)

Actuarial Methods and Assumptions (Employer Reporting)

Actuarial Assumptions (Employer Reporting)

Total OPEB liability at the June 30, 2021, measurement date was determined using the June 30, 2020, 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	2.00%	2.00%
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	2.41%	2.20%
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 60 - 3.30%.
Health care cost trend rate		
Non-Medicare	6.70% graded to 4.50% over 10 years	6.70% graded to 4.50% over 10 years
Medicare	6.00% graded to 4.50% over 12 years	6.00% graded to 4.50% over 11 years
Retiree contributions	Equal to health trend	Equal to health trend
Plan membership - 6/30/2020		
Retired members or beneficiaries currently receiving benefits	5,310	7,094
Retired members or beneficiaries not receiving benefits	-	2,591
Vested terminated members entitled to but not yet receiving benefits	-	1,919
Active members	8,788	9,996
Total	14,098	21,600

The actuarial assumptions used in the June 30, 2020; 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%	5.05%
Active Global Equity	5.00%	5.05%
US Equity – Large Cap	4.00%	4.00%
US Equity – Small/Mid Cap	3.00%	4.50%
Non-US Developed Market Equities	7.00%	5.50%
Private Equity	10.00%	6.75%
Emerging Market Debt	4.00%	3.00%
Private & Alternate Credit	10.00%	4.75%
Non-Core Real Estate	4.00%	5.75%
Core Fixed Income	19.00%	0.00%
Core Real Estate	4.00%	3.75%
US TIPS	3.00%	-0.50%
Infrastructure/Farmland	3.00%	4.25%
Total	100.00%	

Discount Rate (Employer Reporting)

The projection of cash flow used to determine the discount rate assumed that the plans' contributions would be made at rates equal to the projected benefit payments for the upcoming year. Based on these assumptions, VSPB's OPEB and RTHMB's OPEB plan fiduciary net position is partially sufficient to cover projected benefit payments. Therefore, a blended discount rate of 2.41% for VSPB's OPEB and 2.20% for RTHMB's OPEB was used to measure the total OPEB liability. For both plans the discount rate is a blend of the long-term expected rate of return on plan investments and the long-term bond rate expected rate of return of 2.16%. The 2.16% is based on the 20-year Bond Buyer GO index at June 30, 2021. The discount rate used in the prior year was 2.23% for the VSPB plan and 2.21% for the RTHMB 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	1.41%	1.20%
Net OPEB liability	$ 1,748,130	$ 1,509,346
Net OPEB liability, as reported		
Discount rate	2.41%	2.20%
Net OPEB liability	$ 1,473,073	$ 1,275,587
One-percent increase		
Discount rate	3.41%	3.20%
Net OPEB liability	$ 1,254,002	$ 1,089,241

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	5.70% graded to 3.50%	5.70% graded to 3.50%
Medicare	5.00% graded to 3.50%	5.00% graded to 3.50%
Net OPEB liability	$ 1,230,214	$ 1,056,770
Net OPEB liability, as reported		
Healthcare cost trend rate		
Non-medicare	6.70% graded to 4.50%	6.70% graded to 4.50%
Medicare	6.00% graded to 4.50%	6.00% graded to 4.50%
Net OPEB liability	$ 1,473,073	$ 1,275,587
One-percent increase		
Healthcare cost trend rate		
Non-medicare	7.70% graded to 5.50%	7.70% graded to 5.50%
Medicare	7.00% graded to 5.50%	7.00% graded to 5.50%
Net OPEB liability	$ 1,790,492	$ 1,565,167

Payable to the OPEB Plans (Employer Reporting)

At June 30, 2022, the State reported a payable of $33,676 for the outstanding amount of contributions to the VSPB plan required for the year ended June 30, 2022.

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, 2021, 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, 2022, were as follows (amounts in thousands):

(Table on next page.)

	VSRS - VSPB	STRS - RTHMB
Total OPEB liability	$ 907,317	$ 758,359
Fiduciary net position	(104,800)	(40,508)
Net OPEB liability	$ 802,517	$ 717,851
Fiduciary net position as a percentage of total OPEB liability	11.55%	5.34%

Additional information regarding changes in net OPEB liability for the year ended June 30, 2022, can be found in the Required Supplementary Information section of these financial statements.

Actuarial Assumptions (Plan Reporting)

The total OPEB liability at June 30, 2022 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:

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 (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 2.41% for VSPB OPEB plan, and 2.20% for the RTHMB OPEB plan.

For the year ended June 30, 2022, the annual money-weighted rate return of investments, net of investment expense, was -13.09% for the VSPB, and -3.31% 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):

(Table on next page.)

	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 (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	6.12% graded to 3.50%	6.12% graded to 3.50%
Medicare	5.50% graded to 3.50%	5.50% graded to 3.50%
Medicare STRS 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 STRS 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 STRS 65	N/A	5.50%
Net OPEB liability	$ 925,080	$ 833,974

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, 2022, there were 3,607 active and retired members participating in the MERS RHS plan. The net position of the MERS RHS plan at June 30, 2022 was $13,877,755.

The financial statements for the OPEB Funds are on the following two pages:

Statement of Fiduciary Net Position
Other Postemployment Benefit Funds
June 30, 2022

	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	$ 1,607,816	$ 26,503,401	$ 1,541,647
Receivables			
Contributions	33,958	-	-
Other receivables	9,232	7,368,268	-
Investments			
Mutual funds	103,200,029	6,852,913	12,336,108
Prepaid expenses	-	22,936	-
Total assets	104,851,035	40,747,518	13,877,755
Liabilities			
Accounts payable	50,992	239,668	-
Total liabilities	50,992	239,668	-
Net position restricted for employee's other postemployment benefits	$ 104,800,043	$ 40,507,850	$ 13,877,755

Statement of Changes in Fiduciary Net Position
Other Postemployment Benefit Funds
For the Fiscal Year Ended June 30, 2022

	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	$ 35,170,057	$ -	$ -
Non-employer - healthcare benefit	-	54,202,861	-
Total contributions	35,170,057	54,202,861	-
Investment Income			
Net appreciation (depreciation) in fair value of investments	(17,918,713)	(1,295,626)	(1,513,543)
Dividends	2,328,643	149,375	228,637
Interest income	21,518	87,062	5,082
Other income	-	874,252	-
Total investment income/(loss)	(15,568,552)	(184,937)	(1,279,824)
Less Investment Expenses			
Investment managers and consultants	11,753	661	-
Net investment income/(loss)	(15,580,305)	(185,598)	(1,279,824)
Total additions	19,589,752	54,017,263	(1,279,824)
Deductions			
Other postemployment benefits	35,055,680	28,140,745	682,819
Operating expenses	1,842	2,160	15,099
Total deductions	35,057,522	28,142,905	697,918
Change in net position	(15,467,770)	25,874,358	(1,977,742)
Net position restricted for employees postemployment benefits			
July 1, 2021	120,267,813	14,633,492	15,855,497
June 30, 2022	$ 104,800,043	$ 40,507,850	$ 13,877,755

5. Other 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, 2022, the following changes occurred in the governmental activities long-term liabilities:

	Restated* Total Liability July 1, 2021	Additions	Reductions	Total Liability June 30, 2022	Amounts due within one year
Governmental activities					
Bonds payable					
Bonds	$ 651,420,000	$ -	$ (72,420,000)	$ 579,000,000	$ 51,245,000
Bond premium	60,071,377	-	(10,205,512)	49,865,865	10,134,213
Total bonds payable	711,491,377	-	(82,625,512)	628,865,865	61,379,213
Lease liabilities	-	95,561,261	(11,461,545)	84,099,716	11,344,547
Compensated absences	44,566,381	51,062,477	(48,023,229)	47,605,629	42,374,394
Claims and judgments	64,207,763	225,585,019	(224,000,416)	65,792,366	26,177,782
Contingent liabilities	7,000,000	-	-	7,000,000	-
Net pension liabilities	3,036,422,794	773,922,861	(1,303,822,234)	2,506,523,421	-
Net other postemployment liabilities	2,651,442,699	292,388,383	(209,239,488)	2,734,591,594	-
Pollution remediation obligations	10,585,853	4,874,669	(4,720,086)	10,740,436	1,438,082
Total governmental activities long-term liabilities	$ 6,525,716,867	$1,443,394,670	$ (1,883,892,510)	$6,085,219,027	$ 142,714,018

* The beginning balance was restated due to the implementation of GASB Statement No. 87.

During the year ended June 30, 2022, the changes occurred in the business-type activities and fiduciary funds long-term liabilities are as follows:

	Total Liability July 1, 2021	Additions	Reductions	Total Liability June 30, 2022	Amounts due within one year
Business-type activities					
Compensated absences	$ 312,633	$ 351,216	$ (312,132)	$ 351,717	$ 270,587
Lottery prize awards payable	7,885,071	100,687,914	(100,537,310)	8,035,675	7,749,898
Net pension liabilities	7,277,556	2,504,014	(4,238,927)	5,542,643	-
Net other postemployment liabilities	9,414,132	412,716	(5,660,826)	4,166,022	-
Other liabilities	5,436,143	-	(2,661,909)	2,774,234	1,094,392
Total business-type activities long-term liabilities	$ 30,325,535	$ 103,955,860	$ (113,411,104)	$ 20,870,291	$ 9,114,877
Fiduciary					
Compensated absences	$ 23,534	$ 27,314	$ (24,141)	$ 26,707	$ 21,234

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 $10,740,436 of which $1,438,082 is due within one year.

Pollution remediation liability activity in fiscal year 2022 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 five 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, 2022 is $2,631,634 and the estimated current amount due is $162,545.

There are two 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 and a former capacitor manufacturing facility where groundwater cleanup is required due to releases of polychlorinated biphenyls (PCBs).

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 mining facility with waste rock piles that are discharging asbestos into downstream waters. Additional sites include investigating and cleanup of contamination found in public drinking water. The PRO as of June 30, 2022 is $4,257,635; the estimated current amount due is $263,389.

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 contaminate sites. The PRO as of June 30, 2022 is $3,851,167 with an estimated $1,012,148 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, 2022, are as follows:

	Restricted Purposes	Committed Purposes	Assigned Purposes
General Fund			
Government Operations			
Legislature	$ -	$ -	$ 163,415
Administrative Services	-	-	134
Public Safety and Regulatory Services	-	-	1,634,549
Courts	-	-	6,724,608
Health and Human Services	-	-	6,274,202
Correctional Services	-	-	584,465
Educational Services	-	-	22,570
Natural Resources Protection and Preservation	-	-	6,200,111
Economic and Community Development	-	-	12,850,267
Tourism and Marketing	-	-	2,543,304
Total General Fund	$ -	$ -	$ 36,997,625
Transportation Fund			
Transportation	$ 246,246	$ 55,148,758	$ -
Total Transportation Fund	$ 246,246	$ 55,148,758	$ -
Education Fund			
Educational Services	$ -	$ 266,944,255	$ -
Total Education Fund	$ -	$ 266,944,255	$ -

(Table continues on the next page.)

	Restricted Purposes	Committed Purposes	Assigned Purposes
Special Fund			
Government Operations			
Governor and Other Elected Officials	$ -	$ 249,176	$ -
Legislature	454	109,584	-
Administrative Services	1,255,072	96,424,852	-
Public Safety and Regulatory Services	1,831,204	38,174,263	-
Courts	-	2,539,219	-
Health and Human Services	2,271,836	-	-
Correctional Services	5	748,582	-
Employment and Training	-	16,742,381	-
Educational Services	-	2,630,973	-
Natural Resources Protection and Preservation	12,267,170	81,185,971	-
Economic and Community Development	373,000	7,140,968	-
Tourism and Marketing	-	254,099	-
Total Special Fund	$ 17,998,741	$ 246,200,068	$ -
Federal Revenue Fund			
Government Operations			
Governor and Other Elected Officials	$ 92,559	$ -	$ -
Administrative Services	135,408	-	-
Public Safety and Regulatory Services	6,568,917	-	-
Health and Human Services	56,534,640	-	-
Employment and Training	5,401,756	-	-
Educational Services	895,954	-	-
Natural Resources Protection and Preservation	454,055,148	-	-
Economic and Community Development	153,477	-	-
Total Federal Revenue Funds	$ 523,837,859	$ -	$ -
Global Commitment Fund			
Health and Human Services	$ 20,436,162	$ -	$ -
Total Global Commitment Fund	$ 20,436,162	$ -	$ -
Non-major Governmental Funds			
Government Operations			
Administrative Services	$ 18,995	$ -	$ -
Health and Human Services	3,714	-	-
Educational Services	-	24,428,595	-
Natural Resources Protection and Preservation	68,309	19,699,689	-
Economic and Community Development	5,223	-	-
Capital Outlays	1,647,488	-	-
Debt Service	721,241	219,946	-
Total Non-major Governmental Funds	$ 2,464,970	$ 44,348,230	$ -

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 allocated charges to each participating entity is done by Risk Management personnel utilizing departmental exposure and experience factors.

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 suit and other non-tort suit is potentially unlimited. The State holds a self-insured retention (SIR) for the first $1,000,000 of exposure and purchases excess commercial liability insurance up to $1,000,000 per occurrence, $1,000,000 aggregate in Vermont and $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. An 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. Reserve fund allocated charges to each participating entity is done by Risk Management personnel utilizing departmental exposure and experience factors.

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.

Insurance settlements have never exceeded the above commercial insurance limits.

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:

(Table on next page.)

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				
2020	$ 28,622,206	$ 11,910,597	$ (11,597,138)	$ 28,935,665
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
State Liability Insurance Fund				
2020	9,524,044	260,545	(1,982,910)	7,801,679
2021	7,801,679	272,544	1,939,797	10,014,020
2022	10,014,020	225,091	1,389,841	11,628,952
Medical Insurance Fund				
2020	22,460,793	167,704,318	(169,060,329)	21,104,782
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
Dental Insurance Fund				
2020	365,387	5,292,047	(5,443,036)	214,398
2021	214,398	6,544,385	(6,387,114)	371,669
2022	371,669	6,180,559	(6,216,076)	336,152

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 2022, 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, 2022 are as follows: $87,119,747 in the General Fund's Budget Stabilization Reserve; $13,925,423 in the Transportation Fund's Budget Stabilization Reserve; and $39,291,241 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 2022, 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, 2022, the State of Vermont had contractual obligations of $1,863,825,375, of which $754,371,338 are funded from federal sources. The Agency of Human Services (AHS) had contractual commitments of approximately $713,762,785. The Agency of Transportation had contractual commitments of approximately $701,825,886. The combined total for AHS and Transportations is 76% 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 Vermont Health Access (35%), the Department of Children and Families (26%), the Department of Health (12%), and Department of Aging and Independent Living (9%). There are 81% of the Human Services contracts that will expire by June 30, 2023.

- The Agency of Transportation contracts are mainly used for infrastructure construction; of which 67% of Transportation's contracts have end dates of June 30, 2023.

- Of the contracts in the Agency of Administration, 59% have end dates that expire by the end of fiscal year 2023. The Agency of Administration contract obligations are for human resource benefit administration services (49%), capital construction (42%), and information technology (5%).

- The Agency of Digital Services (ADS), 71% of their contract obligations are for consulting, software, and development and 16% for telecommunications / fiber optic networks. There are 40% of ADS's contracts that will expire by the end of fiscal year 2023.

- The State Treasurer's Office contracts are mostly investment management services and health insurance for the retirement plans; of which 77% have end dates that will expire by the end of fiscal year 2023.

- Of the contract obligations for the Military Department, 27% are for capital construction. There are 78% of Military's contracts that have end dates of June 30, 2023.

Following is a summary of contractual obligations by agency, department, or office at June 30, 2022:

(Table on next page.)

Agency, Department, or Office	Total Contractual Obligation	Funded by Federal Sources	Funded by Other Sources
Agency of Administration	$ 124,700,756	$ 708,484	$ 123,992,272
Agency of Agriculture, Food & Markets	3,592,472	1,470,805	2,121,667
Agency of Commerce & Community Development	6,263,698	4,707,130	1,556,568
Agency of Digital Services	109,703,310	-	109,703,310
Agency of Education	11,485,173	6,274,466	5,210,707
Agency of Human Services	713,762,785	391,609,483	322,153,302
Agency of Natural Resources	16,790,187	5,477,376	11,312,811
Agency of Transportation	701,825,886	301,410,267	400,415,619
Auditor of Accounts' Office	1,801,151	-	1,801,151
Center Crime Victim Services	300,579	66,173	234,406
Criminal Justice Training Council	91,128	-	91,128
Department of Labor	16,471,262	16,469,632	1,630
Department of Liquor & Lottery	23,897,468	-	23,897,468
Department of Public Safety	9,437,530	2,082,388	7,355,142
Enhanced 911 Board	5,787,795	-	5,787,795
Financial Regulation	5,688,634	-	5,688,634
Green Mountain Care Board	6,545,657	-	6,545,657
Joint Fiscal Office	537,760	-	537,760
Judiciary	876,710	-	876,710
Legislative Council	9,010	-	9,010
Legislature	142,650	24,131	118,519
Military Department	24,331,832	19,740,565	4,591,267
Office of the Attorney General	2,356,903	46,490	2,310,413
Office of the Defender General	9,123,241	-	9,123,241
Public Service Department	5,198,904	188,414	5,010,490
Public Utility Commission	311,071	-	311,071
Secretary of State's Office	9,990,869	4,095,534	5,895,335
Sgt.-At-Arms	50,521	-	50,521
State Treasurer's Office	52,739,616	-	52,739,616
State's Attorneys and Sheriffs	10,817	-	10,817
Total	$ 1,863,825,375	$ 754,371,338	$ 1,109,454,037

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 $1,921,063,284. The award adjustments column increased by $29,294,837 for amendments to grants that commenced in prior fiscal years, which includes $42,458,837 of additions and a reduction of $13,164,000 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 $1,946,318,742 includes payments issued to grantees on both current year awards and prior year grant awards. The award balances on June 30, 2022, represents the remaining unexpended award amounts.

(Table on next page.)

	Number of Grants Awarded in 2022	Total Grant Obligation: Award Balances at June 30, 2021	Current Year Awards	Award Adjustments	Grants Expended	Award Balances at June 30, 2022
Agency of Administration	732	$ -	$ 381,216,564	$ -	$ 381,216,564	$ -
Agency of Agriculture, Food & Markets	596	8,633,227	20,767,249	(993,885)	12,007,059	16,399,532
Agency of Commerce & Community Development	508	25,455,945	44,472,624	51,563,340	43,873,151	77,618,758
Agency of Education	2,569	270,122,440	923,781,556	-	1,089,674,094	104,229,902
Agency of Human Services	2,125	96,272,062	282,214,190	(31,088,156)	204,707,370	142,690,726
Agency of Natural Resources	174	93,914,812	35,123,369	16,058,700	48,774,736	96,322,145
Agency of Transportation	1,233	163,069,499	144,906,531	(5,134,593)	95,793,065	207,048,372
Center Crime Victim Services	180	985,980	7,423,450	-	8,111,064	298,366
Department of Labor	49	1,949,881	5,333,014	-	3,639,503	3,643,392
Department of Liquor & Lottery	4	33,276	124,800	-	124,800	33,276
Department of Public Safety	155	29,669,481	18,962,348	(323,056)	30,406,726	17,902,047
Enhanced 911 Board	5	340,908	44,881	-	146,222	239,567
Department of Financial Regulation	1	-	200,000	-	50,000	150,000
Judiciary	1	-	70,000	-	70,000	-
Military Department	8	-	78,041	-	78,041	-
Office of the Attorney General	1	2,969,148	20,000	(1,385)	2,905,772	81,991
Public Service Department	24	5,481,913	54,129,976	(798,961)	22,545,884	36,267,044
State Treasurer's Office	15	101,327	269,439	12,833	269,439	114,160
State's Attorneys and Sheriffs	57	-	1,925,252	-	1,925,252	-
Total	8,437	$ 698,999,899	$ 1,921,063,284	$ 29,294,837	$ 1,946,318,742	$ 703,039,278

The Agency of Administration includes the Department of Libraries which awarded 563 grants in the amount of $1.8 million, funded by the American Rescue Plan of 2021, for the Museum and Library services across the State. The agency also awarded over $154.4 million to help fund higher education in Vermont, and $3.6 million to promote cultural development. The Agency of Education awarded 2,569 grants totaling $923.8 million. The Agency of Human Services issued 2,125 awards or 25.2% of the total number of grants issued by the state and expended $187.9 million to improve the conditions and wellbeing of Vermonters. The Agency of Human Services also awarded $30 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 $13.2 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 1,233 grants, totaling $144.9 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.

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, 2022 and 2021 are as follows:

	June 30, 2022	June 30, 2021	Increase (Decrease)
Comparative Financial Information			
Assets	$ 28,236,516	$ 32,776,375	$ (4,539,859)
Liabilities	23,813,354	26,349,680	(2,536,326)
Operating revenues	87,306,397	90,387,773	(3,081,376)
Interest income	143,840	158,158	(14,318)
Gain on the sale of investments	282,976	2,969	280,007
Commissions, fees and bonus expense	6,735,787	6,968,223	(232,436)
Prize awards	53,087,870	54,228,780	(1,140,910)
Other operating expenses	4,351,422	3,922,062	429,360
Total transfers to member states	23,558,135	25,429,835	(1,871,700)
Transfer to Vermont	3,210,070	3,378,418	(168,348)

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, 2022, the State provided tax abatements through the following programs:

(Table on next page.)

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	$3,910,532

Downtown Sales Tax Reallocation Credit

Purpose of program	The program encourages new construction projects, and the improvement and rehabilitation of existing properties in Vermont's designated downtowns.
Tax being abated	Sales tax
Authority to abate taxes	32 V.S.A. 9819
Criteria to be eligible to receive abatements and commitment of the taxpayer	An expansion or rehabilitation of real property in a designated downtown development district, or new construction of real property in a designated downtown development district but only to the extent that the new construction is compatible with the buildings that contribute to the integrity of the district in terms of materials, features, size, scale and proportion, and massing of buildings. The municipality and the developer of the qualified project jointly apply and must be approved by the Vermont Downtown Development Board to receive the credit. In return, the taxpayer agrees to complete their project as specified in the application submitted, and the municipality agrees to use the reallocated tax revenue only for expenditures related to the support of the qualified project.
How taxes are reduced	Refund of sales taxes paid
How is the amount of the tax abatement determined	6% of taxable cost of construction materials
Provisions for recapturing abated taxes	N/A
Type of commitments other than taxes	N/A
Dollar amount of taxes abated during reporting period	$133,215

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 2022 payments are $17,237,387.
Dollar amount of taxes abated during reporting period	$49,377,071

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	$2,344,785

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	$2,467,770

G. Accounting Changes

Accounting changes related to the implemented of GASB Statement No. 87, Leases

Effective July 1, 2021, the State implemented GASB Statement No. 87, *Leases*. GASB 87 requires all leases to be reported as financing arrangements of the right to use a third party's asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The beginning net position was restated for the governmental activities, and the Property Management Fund, an internal service fund, for the implementation of GASB Statement No. 87 to record the impact of recording right-to-use lease assets and related lease liabilities. The effect of the restatement is shown below.

In addition, the beginning net position was restated for the Vermont State Colleges, a discretely presented component unit, and the Vermont Economic Development Authority, a non-major discretely presented component units, due to the implementation of GASB Statement No. 87. The effect of the restatement is shown below.

Accounting changes related to the implemented of GASB Statement No. 96, Subscription-Based Information Technology Arrangements

During fiscal year 2022, Vermont Student Assistant Corporation, a discretely presented component unit, implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements. Vermont Student Assistant Corporation's beginning net position was restated for the effects of the implementation of GASB Statement No. 96. The effect of the restatement is shown below.

Restatement of net position

The effects of accounting changes on the primary government's net position were as follows:

	Governmental Activities Net Position	Total Internal Service Funds Net Position	Property Management Fund Net Position
As originally reported, July 1	$ (322,802,161)	$ 73,858,138	$ (21,684,058)
Restatements			
Adjustment for the implementation of GASB 87 as of July 1, 2021	1,953,189	1,953,189	1,953,189
Restated amount	$ (320,848,972)	$ 75,811,327	$ (19,730,869)

The effects of accounting changes on net position of component units were as follows:

(Table on next page.)

	Vermont Student Assistance Corporation	Vermont State Colleges	Non-major Component Units
As originally reported	$ 205,815,000	$ (35,737,360)	$ 380,428,564
Restatements			
Adjustment for the implementation of GASB 87 as of July 1, 2021	-	(473,427)	14,000
Adjustment for the implementation of GASB 96 as of July 1, 2021	(7,000)	-	-
Restated amount	$ 205,808,000	$ (36,210,787)	$ 380,442,564

H. Subsequent Events

The State has evaluated whether any events have occurred subsequent to June 30, 2022, that would require disclosure and has determined that no such events have occurred through the date which these financial statements were available to be issued.

Required Supplementary Information

(Unaudited)

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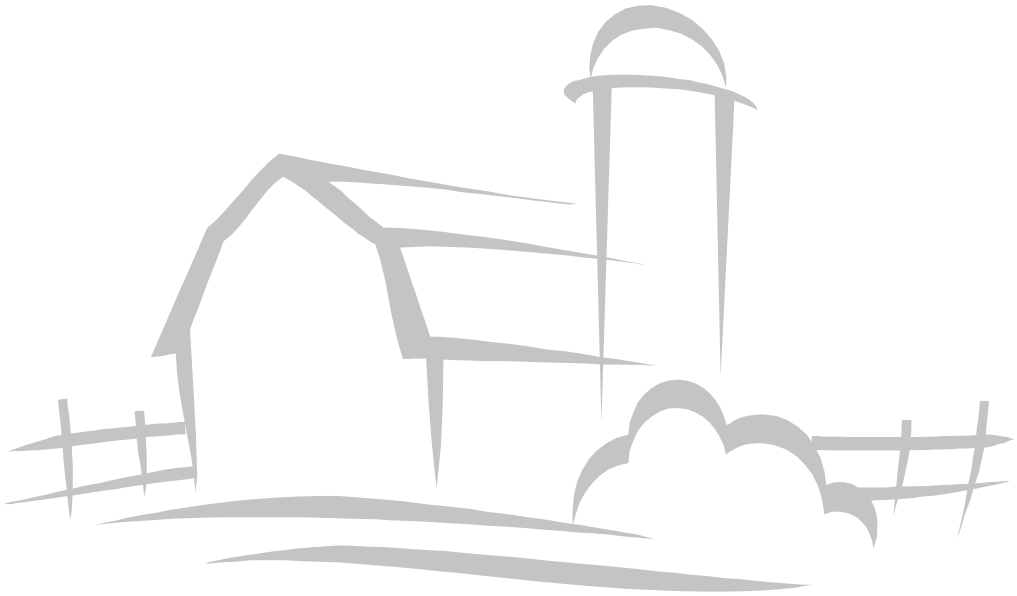

Vermont

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
VERMONT STATE RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
LAST NINE FISCAL YEARS
(Dollar amounts expressed in thousands)
(Unaudited)

	2022	2021	2020	2019
Total pension liability				
Service cost	$ 67,752	$ 70,993	$ 53,010	$ 51,946
Interest	226,513	214,277	204,548	194,127
Differences between expected and actual experience	74,201	59,818	5,123	40,476
Changes of assumptions	-	-	209,787	-
Changes of benefit terms	(49,146)	-	-	-
Benefit payments, including refunds of member contributions	(173,791)	(160,291)	(153,026)	(144,297)
Net change in total pension liability	145,529	184,797	319,442	142,252
Total pension liability, July 1	3,255,050	3,070,253	2,750,811	2,608,559
Total pension liability, June 30	3,400,579	3,255,050	3,070,253	2,750,811
Fiduciary net position				
Contributions - employer	197,523	88,944	84,430	66,618
Contributions - member	44,655	42,113	40,902	40,818
Net investment income (loss)	(215,474)	497,423	78,965	106,778
Benefit payments, including refunds of member contributions	(173,791)	(160,291)	(153,026)	(144,297)
Administrative expenses	(2,352)	(2,281)	(2,268)	(2,246)
Other	862	247	594	299
Net change in fiduciary net position	(148,577)	466,155	49,597	67,970
Fiduciary net position, beginning of year	2,425,222	1,959,067	1,909,470	1,841,500
Fiduciary net position, end of year	2,276,645	2,425,222	1,959,067	1,909,470
Net pension liability, June 30	$ 1,123,934	$ 829,828	$ 1,111,186	$ 841,341
Fiduciary net position as a percentage of the total pension liability	66.95%	74.51%	63.81%	69.41%
Covered payroll	$ 552,317	$ 551,981	$ 527,571	$ 521,671
Net pension liability as a percentage of covered payroll	203.49%	150.34%	210.62%	161.28%
Notes to Schedule				
Change in assumptions:				
Discount rate	7.00%	7.00%	7.00%	7.50%
Assumed inflation	2.30%	2.30%	2.30%	2.50%
Assumed COLA increase				
Groups A, C, D and F (retired on or after 7/1/2008)	2.40%	2.40%	2.40%	2.55%
Group F (retired before 7/1/2008)	1.35%	1.35%	1.35%	1.40%
Groups C (retired on or after 7/1/2022)	2.15%	n/a	n/a	n/a
Groups F (retired on or after 7/1/2022)	2.25%	n/a	n/a	n/a

Plan Type: single employer

GASB No. 67 required supplementary information is not available for fiscal years prior to 2014. Data for future years will be added prospectively.

See Notes to the Required Supplementary Information.

See Independent Auditors' Report.

2018	2017	2016	2015	2014
$ 49,744	$ 42,704	$ 47,012	$ 41,786	$ 39,369
180,860	178,959	171,563	164,405	156,635
83,266	19,283	25,051	3,979	-
-	42,725	(21,853)	62,247	-
-	-	-	-	-
(134,090)	(126,480)	(120,094)	(111,396)	(104,493)
179,780	157,191	101,679	161,021	91,511
2,428,779	2,271,588	2,169,909	2,008,888	1,917,377
2,608,559	2,428,779	2,271,588	2,169,909	2,008,888
64,564	60,280	54,347	55,881	56,483
40,423	35,967	34,055	33,296	31,746
123,632	170,358	17,962	(8,485)	203,722
(134,090)	(126,480)	(120,094)	(111,396)	(104,493)
(1,720)	(1,777)	(1,467)	(1,858)	(1,158)
249	444	(14)	177	454
93,058	138,792	(15,211)	(32,385)	186,754
1,748,442	1,609,650	1,624,861	1,657,246	1,470,492
1,841,500	1,748,442	1,609,650	1,624,861	1,657,246
$ 767,059	$ 680,337	$ 661,938	$ 545,048	$ 351,642
70.59%	71.99%	70.86%	74.88%	82.50%
$ 504,553	$ 471,268	$ 462,057	$ 437,676	$ 416,766
152.03%	144.36%	143.26%	124.53%	84.37%
7.50%	7.50%	7.95%	7.95%	8.22%
2.50%	2.50%	3.00%	3.00%	3.00%
2.55%	2.55%	3.00%	3.00%	3.00%
1.40%	1.40%	1.50%	1.50%	1.50%
n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a

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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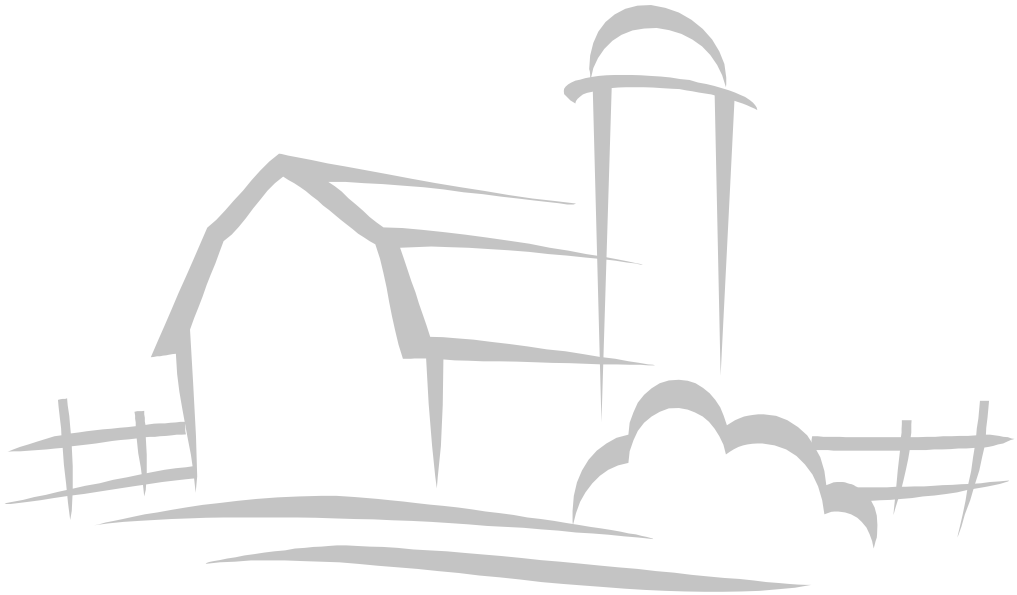

Vermont

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATE TEACHERS' RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
LAST NINE FISCAL YEARS
(Dollar amounts expressed in thousands)
(Unaudited)

	2022	2021	2020	2019
Total pension liability				
Service cost	$ 71,861	$ 72,149	$ 40,744	$ 39,766
Interest	285,340	270,700	255,393	246,468
Differences between expected and actual experience	52,714	88,065	31,637	28,998
Changes of assumptions	-	-	310,968	-
Changes of benefit terms	(32,528)	-	-	-
Benefit payments, including refunds of member contributions	(227,698)	(215,249)	(201,237)	(193,197)
Net change in total pension liability	149,689	215,665	437,505	122,035
Total pension liability, July 1	4,118,283	3,902,618	3,465,113	3,343,078
Total pension liability, June 30	4,267,972	4,118,283	3,902,618	3,465,113
Fiduciary net position				
Contributions - non-employer	314,664	125,910	120,247	113,748
Contributions - member	44,597	42,199	40,599	39,075
Net investment income (loss)	(223,275)	512,194	83,105	109,429
Benefit payments, including refunds of member contributions	(227,698)	(215,249)	(201,237)	(193,197)
Administrative expenses	(2,715)	(2,782)	(2,815)	(2,715)
Other	11,047	9,031	7,103	5,775
Net change in fiduciary net position	(83,380)	471,303	47,002	72,115
Fiduciary net position, beginning of year	2,422,793	1,951,490	1,904,488	1,832,373
Fiduciary net position, end of year	2,339,413	2,422,793	1,951,490	1,904,488
Net pension liability, June 30	$ 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%
Covered payroll	$ 657,935	$ 645,903	$ 624,908	$ 612,899
Net pension liability as a percentage of covered payroll	293.12%	262.50%	312.23%	254.63%
Notes to Schedule				
Change in assumptions:				
Discount rate	7.00%	7.00%	7.00%	7.50%
Assumed inflation	2.30%	2.30%	2.30%	2.50%
Assumed COLA increase				
Group A	2.40%	2.40%	2.40%	2.55%
Group C	1.35%	1.35%	1.35%	1.40%
Groups C (retired on or after 7/1/2022)	1.20%	n/a	n/a	n/a

Plan Type: cost sharing multiple employer with a special funding situation

GASB No. 67 required supplementary information is not available for fiscal years prior to 2014. Data for future years will be added prospectively.

See Notes to the Required Supplementary Information.

See Independent Auditors' Report.

2018	2017	2016	2015	2014
$ 40,117	$ 35,383	$ 34,979	$ 33,614	$ 33,144
237,747	228,939	222,185	215,447	206,150
59,469	12,523	3,613	20,003	-
(32,957)	185,849	(7,224)	57,489	-
-	-	-	-	-
(182,259)	(172,156)	(162,751)	(150,734)	(140,846)
122,117	290,538	90,802	175,819	98,448
3,220,961	2,930,423	2,839,621	2,663,802	2,565,354
3,343,078	3,220,961	2,930,423	2,839,621	2,663,802
110,354	78,664	73,225	72,909	72,668
37,889	36,142	35,409	34,864	32,559
125,566	173,167	19,877	(7,567)	212,338
(182,259)	(172,156)	(162,751)	(150,734)	(140,847)
(2,084)	(2,214)	(1,797)	(2,259)	(26,116)
4,349	4,055	3,821	538	411
93,815	117,658	(32,216)	(52,249)	151,013
1,738,558	1,620,900	1,653,116	1,705,365	1,554,352
1,832,373	1,738,558	1,620,900	1,653,116	1,705,365
$ 1,510,705	$ 1,482,403	$ 1,309,523	$ 1,186,505	$ 958,437
54.81%	53.98%	55.31%	58.22%	64.02%
$ 607,355	$ 586,397	$ 557,708	$ 567,074	$ 563,623
248.74%	252.80%	234.80%	209.23%	170.05%
7.50%	7.50%	7.95%	7.95%	8.15%
2.50%	2.50%	3.00%	3.00%	3.00%
2.55%	2.55%	3.00%	3.00%	3.00%
1.40%	1.40%	1.50%	1.50%	1.50%
n/a	n/a	n/a	n/a	n/a

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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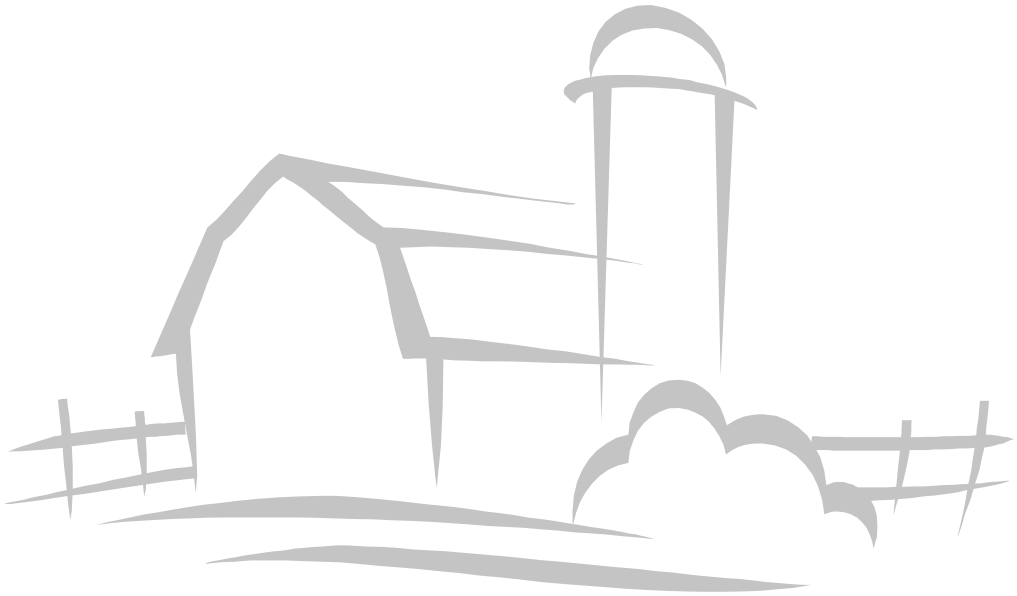

Vermont

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
LAST NINE FISCAL YEARS
(Dollar amounts expressed in thousands)
(Unaudited)

	2022	2021	2020	2019
Total pension liability				
Service cost	$ 39,576	$ 37,158	$ 34,726	$ 30,744
Interest	76,211	70,595	67,361	61,618
Differences between expected and actual experience	8,120	15,795	8,292	17,468
Changes of assumptions	-	-	38,774	-
Changes of benefit terms	364	-	-	-
Benefit payments, including refunds of member contributions	(48,138)	(43,357)	(39,084)	(35,397)
Net change in total pension liability	76,133	80,191	110,069	74,433
Total pension liability, July 1	1,073,218	993,027	882,958	808,525
Total pension liability, June 30	1,149,351	1,073,218	993,027	882,958
Fiduciary net position				
Contributions - employer	25,218	22,298	20,681	19,203
Contributions - member	25,025	23,074	20,771	19,778
Net investment income (loss)	(81,508)	184,850	29,114	38,740
Benefit payments, including refunds of member contributions	(48,138)	(43,357)	(39,084)	(35,397)
Administrative expenses	(1,303)	(1,249)	(1,355)	(1,158)
Other	651	365	460	451
Net change in fiduciary net position	(80,055)	185,981	30,587	41,617
Fiduciary net position, beginning of year	926,034	740,053	709,466	667,849
Fiduciary net position, end of year	845,979	926,034	740,053	709,466
Net pension liability, June 30	$ 303,372	$ 147,184	$ 252,974	$ 173,492
Fiduciary net position as a percentage of the total pension liability	73.60%	86.29%	74.52%	80.35%
Covered payroll	$ 331,960	$ 327,492	$ 306,103	$ 289,839
Net pension liability as a percentage of covered payroll	91.39%	44.94%	82.64%	59.86%
Notes to Schedule				
Changes in assumptions and methods:				
Discount rate	7.00%	7.00%	7.00%	7.50%
Assumed inflation	2.30%	2.30%	2.30%	2.50%
Assumed COLA increase				
Group A	1.10%	1.10%	1.10%	1.15%
Group B, C, and D	1.20%	1.20%	1.20%	1.30%

Plan Type: cost sharing multiple employer

GASB No. 67 required supplementary information is not available for fiscal years prior to 2014. Data for future years will be added prospectively.

See Notes to the Required Supplementary Information.

See Independent Auditors' Report.

2018	2017	2016	2015	2014
$ 28,434	$ 27,246	$ 25,264	$ 24,366	$ 22,519
56,504	54,780	49,744	46,058	42,139
14,172	(3,749)	1,088	3,046	-
-	14,481	12,204	19,192	-
194	-	-	-	-
(31,445)	(27,803)	(25,589)	(23,314)	(20,601)
67,859	64,955	62,711	69,348	44,057
740,666	675,711	613,000	543,652	499,595
808,525	740,666	675,711	613,000	543,652
17,520	16,482	15,236	14,136	12,806
19,167	25,210	15,227	13,588	13,234
43,889	59,487	6,777	(2,359)	64,346
(31,445)	(27,803)	(25,589)	(23,315)	(20,601)
(929)	(875)	(755)	(950)	(588)
137	(6)	215	279	2,143
48,339	72,495	11,111	1,379	71,340
619,510	547,015	535,904	534,525	463,186
667,849	619,510	547,015	535,904	534,526
$ 140,676	$ 121,156	$ 128,696	$ 77,096	$ 9,126
82.60%	83.64%	80.95%	87.42%	98.32%
$ 274,814	$ 256,730	$ 249,811	$ 230,969	$ 220,372
51.19%	47.19%	51.52%	33.38%	4.14%
7.50%	7.50%	7.95%	7.95%	8.23%
2.50%	2.50%	3.00%	3.00%	3.00%
1.15%	1.15%	1.50%	1.50%	1.50%
1.30%	1.30%	1.80%	1.80%	1.80%

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 NINE 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 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' 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' Retirement System	2022	$ 39,451	$ 25,218	$ 14,233	$ 331,960	7.60%
	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.

GASB No. 67 required supplementary information is not available for fiscal years prior to 2014. Data for future years will be added prospectively.

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	Level percentage of payroll	Level percentage of payroll	Installments increasing 3% per year
Remaining amortization period	18 years	18 years	17 years
All closed basis			
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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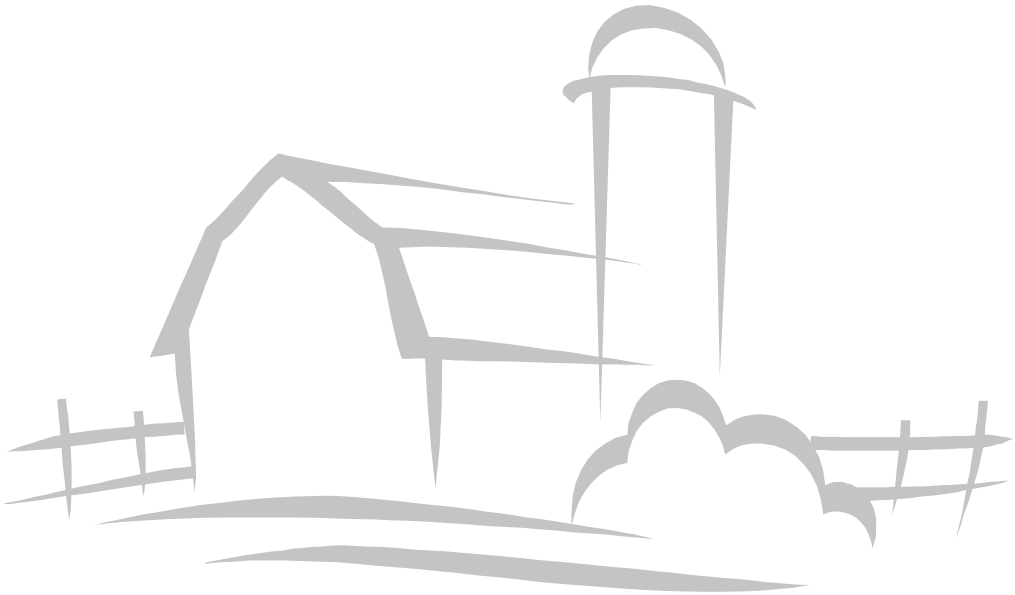

Vermont

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF STATE'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
LAST NINE YEARS[1]
(Dollar amounts expressed in thousands)
(Unaudited)

	Vermont State Retirement System			
	2022	2021	2020	2019
State's proportion of net pension liability	98.4031%	98.3248%	98.3137%	98.2187%
State's proportionate share of the net pension liability	$ 816,577	$ 1,092,572	$ 827,153	$ 753,395
Fiduciary net position as a percentage of the total pension liability	74.51%	63.81%	69.41%	70.59%

	State Teachers' Retirement System[2]			
	2022	2021	2020	2019
State's proportion of net pension liability	100%	100%	100%	100%
State's proportionate share of the net pension liability	$ 1,695,490	$ 1,951,128	$ 1,560,625	$ 1,510,705
Fiduciary net position as a percentage of the total pension liability	58.83%	50.00%	54.96%	54.81%

[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.

GASB No. 68 required supplementary information is not available for fiscal years prior to 2014. Data for future years will be added prospectively.

See Independent Auditors' Report.

2018	2017	2016	2015	2014
98.2850%	98.3625%	98.3289%	98.2355%	98.1400%
$ 668,669	$ 651,099	$ 535,939	$ 345,437	$ 438,573
71.99%	70.86%	74.88%	82.50%	76.69%

2018	2017	2016	2015	2014
100%	100%	100%	100%	100%
$ 1,482,403	$ 1,309,523	$ 1,186,505	$ 958,437	$ 1,011,002
53.98%	55.31%	58.22%	64.02%	60.59%

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PLANS
SCHEDULE OF INVESTMENT RETURNS
LAST NINE YEARS
(Unaudited)

	2022	2021	2020	2019
VERMONT STATE RETIREMENT SYSTEM				
Annual money-weighted rate of return, net of investment expense	-7.42%	24.59%	3.90%	5.90%
STATE TEACHERS' RETIREMENT SYSTEM				
Annual money-weighted rate of return, net of investment expense	-7.41%	24.75%	4.10%	6.10%
VERMONT MUNICIPAL EMPLOYEES RETIREMENT SYSTEM				
Annual money-weighted rate of return, net of investment expense	-7.88%	24.32%	3.90%	5.80%

GASB No. 67 required supplementary information is not available for fiscal years prior to 2014. Data for future years will be added prospectively.

See Independent Auditors' Report.

2018	2017	2016	2015	2014
6.73%	10.33%	1.44%	-0.50%	14.05%
6.99%	10.17%	1.69%	-0.40%	13.83%
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 SIX FISCAL YEARS
(Dollar amounts expressed in thousands)
(Unaudited)

	2022	2021	2020	2019
Total OPEB liability				
Service cost	$ 67,476	$ 63,318	$ 45,691	$ 44,590
Interest	39,605	34,088	45,754	49,041
Changes of benefit terms	(11,431)	-	-	-
Differences between expected and actual experience	241	4,953	20,361	6,284
Changes of assumptions	(746,859)	43,573	127,633	(25,551)
Benefit payments, net of retiree contributions, including administrative expense	(35,056)	(35,561)	(35,768)	(35,340)
Net change in total OPEB liability	(686,024)	110,371	203,671	39,024
Total OPEB liability, July 1	1,593,341	1,482,970	1,279,299	1,240,275
Total OPEB liability, June 30	907,317	1,593,341	1,482,970	1,279,299
Fiduciary net position				
Contributions - employer	35,170	90,463	38,600	63,750
Net investment income (loss)	(15,580)	7,775	3,030	1,554
Benefit payments, including refunds of member contributions	(35,056)	(35,561)	(35,768)	(35,340)
Administrative expenses	(2)	(1)	(3)	(2)
Net change in fiduciary net position	(15,468)	62,676	5,859	29,962
Fiduciary net position, beginning of year	120,268	57,592	51,733	21,771
Fiduciary net position, end of year	104,800	120,268	57,592	51,733
Net OPEB liability, June 30	$ 802,517	$ 1,473,073	$ 1,425,378	$ 1,227,566
Fiduciary net position as a percentage of the total OPEB liability	11.55%	7.55%	3.88%	4.04%
Covered payroll	$ 579,629	$ 578,702	$ 554,292	$ 548,512
Net OPEB liability as a percentage of covered-payroll	138.45%	254.55%	257.15%	223.80%
Notes to Schedule				
Discount rate	7.00%	2.41%	2.23%	3.50%
Assumed inflation	2.50%	2.00%	2.00%	2.75%

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.

2018	2017
$ 52,326	$ 66,841
54,401	46,868
(20,233)	-
7,140	-
(303,322)	(190,151)
(34,559)	(33,346)
(244,247)	(109,788)
1,484,522	1,594,310
1,240,275	1,484,522
32,957	33,123
872	1,372
(34,559)	(33,346)
(1)	-
(731)	1,149
22,502	21,353
21,771	22,502
$ 1,218,504	$ 1,462,020
1.76%	1.52%
$ 531,543	$ 497,201
229.24%	294.05%
3.87%	3.58%
2.75%	2.75%

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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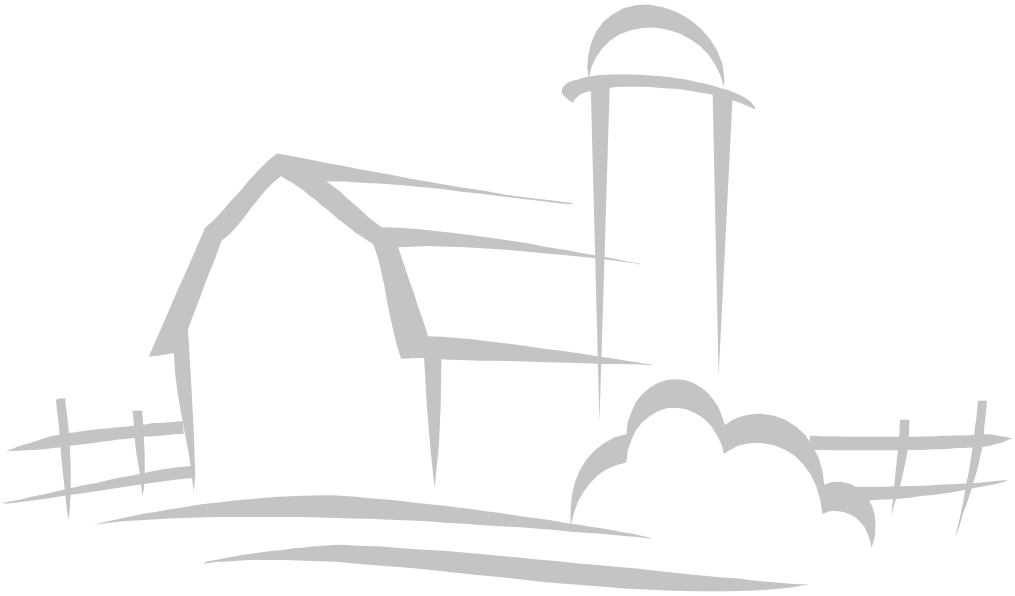

Vermont

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 SIX FISCAL YEARS
(Dollar amounts expressed in thousands)
(Unaudited)

	2022	2021	2020	2019
Total OPEB liability				
Service cost	$ 53,507	$ 50,729	$ 30,590	$ 20,786
Interest	29,254	28,809	37,030	36,139
Changes of benefit terms	-	(75,248)	-	(21,209)
Differences between expected and actual experience	18,750	33,179	31,061	24,665
Changes of assumptions	(605,232)	15,408	155,924	82,448
Benefit payments, net of retiree contributions, including administrative expense	(28,141)	(30,775)	(27,551)	(29,607)
Net change in total OPEB liability	(531,862)	22,102	227,054	113,222
Total OPEB liability, July 1	1,290,221	1,268,119	1,041,065	927,843
Total OPEB liability, June 30	758,359	1,290,221	1,268,119	1,041,065
Fiduciary net position				
Contributions - non-employer	54,203	36,639	35,176	56,594
Net investment income (loss)	(186)	53	283	31
Benefit payments, including refunds of member contributions	(28,141)	(30,775)	(27,551)	(29,607)
Administrative expenses	(2)	(2)	(2)	(263)
Other	-	-	501	-
Net change in fiduciary net position	25,874	5,915	8,407	26,755
Fiduciary net position, beginning of year	14,634	8,719	312	(26,443)
Fiduciary net position, end of year	40,508	14,634	8,719	312
Net OPEB liability, June 30	$ 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%
Covered payroll	$ 657,935	$ 645,903	$ 624,908	$ 612,899
Net OPEB liability as a percentage of covered payroll	109.11%	197.49%	201.53%	169.81%
Notes to Schedule				
Discount rate	7.00%	2.20%	2.21%	3.50%
Assumed inflation	2.50%	2.00%	2.00%	2.75%

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.

2018	2017
$ 26,273	$ 32,511
32,838	26,425
-	-
42,621	-
(50,192)	(33,192)
(29,329)	(29,577)
22,211	(3,833)
905,632	909,465
927,843	905,632
29,803	23,839
20	41
(29,329)	(29,348)
(279)	(229)
-	-
215	(5,697)
(26,658)	(20,961)
(26,443)	(26,658)
$ 954,286	$ 932,290
-2.85%	-2.94%
$ 607,355	$ 586,397
157.12%	158.99%
3.87%	3.58%
2.75%	2.75%

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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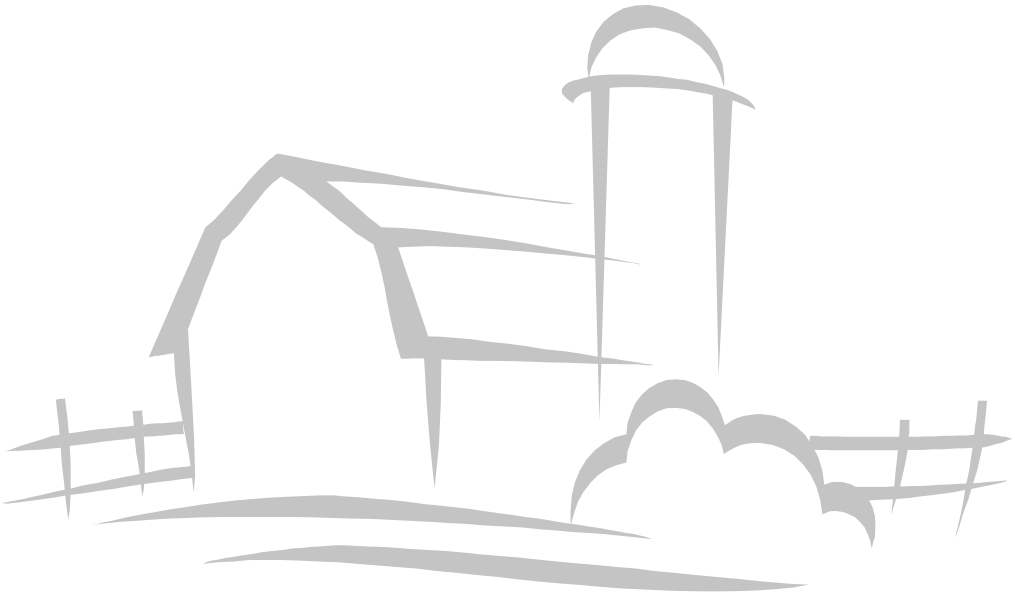

Vermont

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFIT PLANS
SCHEDULE OF INVESTMENT RETURNS
LAST SIX FISCAL YEARS
(Unaudited)

	2022	2021	2020	2019
Vermont State Postemployment Benefit Trust Fund				
Annual money-weighted rate of return, net of investment expense	-13.09%	13.90%	6.20%	6.90%
Retired Teachers' Health and Medical Benefits Fund *				
Annual money-weighted rate of return, net of investment expense	-3.31%	0.30%	N/A	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.

2018	2017
4.00%	6.50%
N/A	N/A

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFIT PLANS
SCHEDULE OF EMPLOYER AND NONEMPLOYER CONTRIBUTIONS
LAST SIX 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)	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)	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	27 years	27 years
Asset valuation method	Market Value	Market Value
Actuarial assumptions		
Investment rate of return	7.00%	7.00%
Discount rate	2.23%	2.21%
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 - 3.55%
Inflation	2.00%	2.00%
Health care cost trend rates		
Non-Medicare	6.925% graded to 4.50% over 11 years	6.925% graded to 4.50% over 11 years
Medicare	6.14% graded to 4.50% over 13 years	6.14% graded to 4.50% over 12 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 FIVE FISCAL YEARS[1]
(Dollar amounts expressed in thousands)
(Unaudited)

Vermont State Postemployment Benefit Trust Fund

	2022	2021	2020	2019
State's proportion of net OPEB liability	99.3278%	98.3218%	98.9933%	98.2292%
State's proportionate share of the net OPEB liability	$ 1,463,170	$ 1,401,457	$ 1,215,208	$ 1,196,927
Fiduciary net position as a percentage of the total OPEB liability	7.55%	3.88%	4.04%	1.76%

Retired Teachers' Health and Medical Benefits Fund[2]

	2022	2021	2020	2019
State's proportion of net OPEB liability	100%	100%	100%	100%
State's proportionate share of the net OPEB liability	$ 1,275,587	$ 1,259,400	$ 1,040,753	$ 954,286
Fiduciary net position as a percentage of the total OPEB liability	1.13%	0.69%	0.03%	-2.85%

[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.

2018
98.2979%
$ 1,437,135
1.52%

2018
100%
$ 932,290
-2.94%

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Revenues				
Taxes	$1,780,610,000	$1,824,910,000	$2,048,481,084	$ 223,571,084
Earnings of Departments	42,000,000	41,900,000	42,199,052	299,052
Other	31,090,000	30,990,000	32,550,466	1,560,466
Total revenues	1,853,700,000	1,897,800,000	2,123,230,602	225,430,602
Expenditures				
General Government				
Agency of Administration	111,538,221	92,997,037	53,913,754	(39,083,283)
Agency of Digital Services	174,342	3,479,891	179,651	(3,300,240)
Executive Office	1,672,493	2,653,840	1,920,315	(733,525)
Legislature	14,393,418	17,728,856	14,058,648	(3,670,208)
Joint Fiscal Office	2,472,260	3,359,968	2,700,985	(658,983)
Sergeant at Arms	1,068,024	1,295,697	1,170,452	(125,245)
Lieutenant Governor's Office	239,529	274,412	264,998	(9,414)
Auditor of Accounts	344,615	536,323	493,988	(42,335)
State Treasurer	1,066,424	100,353,800	79,698,960	(20,654,840)
State Labor Relations Board	273,064	301,938	280,573	(21,365)
VOSHA Review Board	45,958	75,836	55,611	(20,225)
Homeowner Property Tax Assistance	18,600,000	18,600,000	16,006,419	(2,593,581)
Renter Rebate Tax Assistance	9,500,000	11,000,000	6,625,339	(4,374,661)
Protection to Persons and Property				
Attorney General	8,965,686	9,380,377	9,235,416	(144,961)
Defender General	22,177,154	23,103,782	21,123,635	(1,980,147)
Judiciary	58,316,474	74,831,617	51,870,110	(22,961,507)
State's Attorneys and Sheriffs	23,796,854	24,964,135	20,750,126	(4,214,009)
Department of Public Safety	54,427,630	59,918,456	56,457,152	(3,461,304)
Military Department	5,646,923	7,517,284	4,853,063	(2,664,221)
Center for Crime Victim Services	2,835,712	3,477,497	2,775,594	(701,903)
Criminal Justice Training Council	2,931,638	3,335,577	2,726,955	(608,622)
Agency of Agriculture, Food and Markets	11,604,475	17,651,481	10,585,501	(7,065,980)
Secretary of State	400,000	459,295	-	(459,295)
Public Service Department	-	2,050,000	550,000	(1,500,000)
Human Rights Commission	639,626	736,026	669,345	(66,681)
Department of Liquor and Lottery	-	15,000	-	(15,000)
Human Services				
Agency of Human Services	1,038,714,292	1,149,205,646	902,482,459	(246,723,187)
Green Mountain Care Board	3,126,935	4,776,240	2,737,202	(2,039,038)
Governor's Commission on Women	402,018	439,284	422,711	(16,573)
Human Services Board	474,851	528,077	343,308	(184,769)
Vermont Veterans' Home	2,843,321	4,991,371	4,706,518	(284,853)
Labor				
Department of Labor	7,394,154	11,070,760	4,570,850	(6,499,910)
General Education				
Agency of Education	15,512,192	17,726,696	15,158,011	(2,568,685)
State Teacher's Retirement	187,139,555	312,139,555	312,139,555	-
Higher Education	143,111,685	143,111,685	128,411,685	(14,700,000)

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, 2022
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Expenditures				
Natural Resources				
Agency of Natural Resources	31,061,486	67,500,476	38,816,782	(28,683,694)
Natural Resources Board	631,629	661,629	645,905	(15,724)
Commerce and Community Development				
Agency of Commerce and Community Development	39,039,314	48,119,519	22,181,617	(25,937,902)
Cultural Development	3,308,264	3,348,838	3,348,838	-
Housing and Conservation Board	40,000,000	130,300,500	19,604,636	(110,695,864)
Transportation				
Agency of Transportation	10,880,000	11,018,000	95,638	(10,922,362)
Total expenditures	1,876,770,216	2,385,036,401	1,814,632,305	(570,404,096)
Excess of revenues over expenditures	(23,070,216)	(487,236,401)	308,598,297	795,834,698
Other Financing Sources (Uses)				
Transfers in	133,596,337	133,721,337	133,721,337	-
Transfers out	(88,462,478)	(187,472,478)	(187,472,478)	-
Total other financing sources (uses)	45,133,859	(53,751,141)	(53,751,141)	-
Excess of revenues and other sources over (under) expenditures and other uses	22,063,643	(540,987,542)	254,847,156	795,834,698
Fund balance, July 1	757,392,474	757,392,474	757,392,474	-
Fund balance, June 30	$ 779,456,117	$ 216,404,932	$ 1,012,239,630	$ 795,834,698

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, 2022
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Revenues				
Taxes	$ 187,500,000	$ 185,400,000	$ 183,458,543	$ (1,941,457)
Motor vehicle fees	88,900,000	88,900,000	87,253,289	(1,646,711)
Federal	361,546,034	368,151,489	310,470,867	(57,680,622)
Other	38,980,000	38,640,000	38,328,982	(311,018)
Total revenues	676,926,034	681,091,489	619,511,681	(61,579,808)
Expenditures				
General Government				
Agency of Administration	8,161,594	3,911,594	3,686,209	(225,385)
Agency of Digital Services	-	900,000	900,000	-
Protection to Persons and Property				
Department of Public Safety	20,250,000	20,444,653	18,914,727	(1,529,926)
Transportation				
Agency of Transportation	656,967,655	697,180,475	595,338,976	(101,841,499)
Total expenditures	685,379,249	722,436,722	618,839,912	(103,596,810)
Excess of revenues over (under) expenditures	(8,453,215)	(41,345,233)	671,769	42,017,002
Other financing sources (uses)				
Transfers out	(9,946,269)	(27,406,791)	(27,406,791)	-
Total other financing sources (uses)	(9,946,269)	(27,406,791)	(27,406,791)	-
Excess of revenues and other sources over (under) expenditures and other uses	(18,399,484)	(68,752,024)	(26,735,022)	42,017,002
Fund balance, July 1	45,236,032	45,236,032	45,236,032	-
Fund balance (deficit), June 30	$ 26,836,548	$ (23,515,992)	$ 18,501,010	$ 42,017,002

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, 2022
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Revenues				
Taxes	$ 1,859,962,377	$ 1,865,062,377	$ 1,877,174,138	$ 12,111,761
Interest and premiums	100,000	100,000	289,943	189,943
Total revenues	1,860,062,377	1,865,162,377	1,877,464,081	12,301,704
Expenditures				
General Education				
Agency of Education	1,810,843,734	1,857,566,596	1,772,403,104	(85,163,492)
State Teachers' Retirement	37,600,918	50,900,918	50,900,918	-
Total expenditures	1,848,444,652	1,908,467,514	1,823,304,022	(85,163,492)
Excess of revenues over (under) expenditures	11,617,725	(43,305,137)	54,160,059	97,465,196
Other financing sources (uses)				
Transfers in	42,249,614	42,249,614	42,249,614	-
Total other financing sources (uses)	42,249,614	42,249,614	42,249,614	-
Excess of revenues and other sources over (under) expenditures and other uses	53,867,339	(1,055,523)	96,409,673	97,465,196
Fund balance, July 1	137,627,134	137,627,134	137,627,134	-
Fund balance (deficit), June 30	$ 191,494,473	$ 136,571,611	$ 234,036,807	$ 97,465,196

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, 2022
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Revenues				
Special Fund Revenues	$ 307,527,230	$ 745,616,054	$ 586,585,676	$ (159,030,378)
Total revenues	307,527,230	745,616,054	586,585,676	(159,030,378)
Expenditures				
General Government				
Agency of Administration	19,957,214	40,245,242	28,472,529	(11,772,713)
Agency of Digital Services	387,710	388,657	374,702	(13,955)
Executive Office	197,500	291,846	235,876	(55,970)
Joint Fiscal Office	125,000	125,000	24,165	(100,835)
Auditor of Accounts	53,145	53,145	53,145	-
State Treasurer	3,222,140	4,154,244	3,716,275	(437,969)
State Labor Relations Board	9,576	9,576	2,161	(7,415)
VOSHA Review Board	45,957	55,494	55,494	-
Unorganized Towns and Gores	-	525,000	381,717	(143,283)
Ethics Commission	-	60,946	16,077	(44,869)
Protection to Persons and Property				
Attorney General	5,549,039	5,911,766	5,722,994	(188,772)
Defender General	589,653	815,205	411,015	(404,190)
Judiciary	5,296,058	11,893,250	4,246,840	(7,646,410)
State's Attorneys and Sheriffs	2,755,155	2,838,579	2,819,603	(18,976)
Department of Public Safety	22,188,212	23,858,453	20,378,471	(3,479,982)
Military Department	225,849	601,704	507,095	(94,609)
Center for Crime Victim Services	4,628,381	4,663,381	3,355,965	(1,307,416)
Criminal Justice Training Council	240,617	529,617	385,264	(144,353)
Agency of Agriculture, Food and Markets	15,939,160	20,810,018	13,078,731	(7,731,287)
Department of Financial Regulation	16,175,749	18,215,749	17,777,189	(438,560)
Secretary of State	12,843,807	15,606,188	14,730,574	(875,614)
Public Service Department	10,867,770	162,139,982	28,476,786	(133,663,196)
Public Utility Commission	3,907,563	4,013,063	3,997,366	(15,697)
Enhanced 911 Board	4,468,213	4,553,213	4,540,651	(12,562)
Human Rights Commission	-	37,625	32,963	(4,662)
Department of Liquor and Lottery	213,843	244,058	221,705	(22,353)
Cannabis Control Board	650,000	1,830,081	1,674,162	(155,919)
Human Services				
Agency of Human Services	165,640,291	427,529,582	356,595,486	(70,934,096)
Green Mountain Care Board	4,643,208	5,934,969	4,879,821	(1,055,148)
Governor's Commission on Women	3,773	8,533	1,906	(6,627)
Labor				
Department of Labor	6,830,151	6,830,151	4,808,145	(2,022,006)
General Education				
Agency of Education	22,553,925	22,612,796	18,772,773	(3,840,023)
Higher Education	2,272,727	-	-	-

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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, 2022
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Expenditures				
Natural Resources				
Agency of Natural Resources	86,976,446	113,735,275	60,811,705	(52,923,570)
Natural Resources Board	2,511,209	2,591,209	2,471,596	(119,613)
Commerce and Community Development				
Agency of Commerce and Community Development	14,689,915	41,406,125	24,852,266	(16,553,859)
Cultural Development	-	8,350	8,350	-
Transportation				
Agency of Transportation	6,915,052	14,667,306	4,582,285	(10,085,021)
Total expenditures	443,574,008	959,795,378	633,473,848	(326,321,530)
Excess of revenues over expenditures	(136,046,778)	(214,179,324)	(46,888,172)	167,291,152
Other Financing Sources (Uses)				
Transfers in	220,245,282	298,502,828	298,502,828	-
Transfers out	(84,198,504)	(84,323,504)	(84,323,504)	-
Total other financing sources (uses)	136,046,778	214,179,324	214,179,324	-
Excess of revenues and other sources over (under) expenditures and other uses	-	-	167,291,152	167,291,152
Fund balance, July 1	139,627,472	139,627,472	139,627,472	-
Fund balance, June 30	$ 139,627,472	$ 139,627,472	$ 306,918,624	$ 167,291,152

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, 2022
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Revenues				
Federal	$ 2,573,754,133	$ 3,934,728,292	$ 3,550,540,890	$ (384,187,402)
Interest and premiums	-	45,726	45,726	-
Other	-	4,597,198	4,597,198	-
Total revenues	2,573,754,133	3,939,371,216	3,555,183,814	(384,187,402)
Expenditures				
General Government				
Agency of Administration	7,650,041	244,498,421	210,191,100	(34,307,321)
Agency of Digital Services	1,500,000	3,056,112	1,757,359	(1,298,753)
Legislature	-	1,429,963	1,405,831	(24,132)
Auditor of Accounts	-	324,534	324,534	-
State Treasurer	-	269,439	269,439	-
Protection to Persons and Property				
Attorney General	1,382,278	1,382,278	1,293,540	(88,738)
Defender General	140,000	140,000	-	(140,000)
Judiciary	900,469	1,086,663	1,022,323	(64,340)
State's Attorneys and Sheriffs	1,912,828	2,057,125	243,879	(1,813,246)
Department of Public Safety	27,760,575	218,051,163	196,931,836	(21,119,327)
Military Department	29,237,445	58,015,782	45,851,587	(12,164,195)
Center for Crime Victim Services	6,612,435	7,012,435	6,926,074	(86,361)
Agency of Agriculture, Food and Markets	6,366,979	15,526,954	6,526,284	(9,000,670)
Department of Financial Regulation	-	663,538	141,177	(522,361)
Secretary of State	1,907,444	4,653,721	1,066,395	(3,587,326)
Public Service Department	178,521,919	224,706,847	35,350,605	(189,356,242)
Human Rights Commission	78,556	78,556	78,556	-
Department of Liquor and Lottery	184,484	186,789	178,594	(8,195)
Human Services				
Agency of Human Services	1,565,348,811	2,162,469,634	1,872,371,541	(290,098,093)
Governor's Commission on Women	-	861	861	-
Human Services Board	353,838	400,306	201,780	(198,526)
Vermont Veterans' Home	-	373,680	-	(373,680)
Labor				
Department of Labor	33,158,417	50,956,740	32,700,744	(18,255,996)
General Education				
Higher Education	34,200,000	52,100,000	37,681,741	(14,418,259)
Agency of Education	212,045,523	282,197,354	235,536,731	(46,660,623)
Natural Resources				
Agency of Natural Resources	138,447,325	145,844,633	42,578,127	(103,266,506)
Natural Resources Board	500,000	500,000	10,482	(489,518)

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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, 2022
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Expenditures				
Commerce and Community Development				
Agency of Commerce and Community Development	68,905,214	173,996,603	36,517,941	(137,478,662)
Housing and Conservation Board	64,000,000	89,432,734	17,605,698	(71,827,036)
Transportation				
Agency of Transportation	17,620,000	17,668,113	48,113	(17,620,000)
Total expenditures	2,398,734,581	3,759,080,978	2,784,812,872	(974,268,106)
Excess of revenues over expenditures	175,019,552	180,290,238	770,370,942	590,080,704
Other Financing Sources (Uses)				
Transfers out	(175,019,552)	(175,647,314)	(175,647,314)	-
Total other financing sources (uses)	(175,019,552)	(175,647,314)	(175,647,314)	-
Excess of revenues and other sources over (under) expenditures and other uses	-	4,642,924	594,723,628	590,080,704
Fund balance, July 1	283,062,270	283,062,270	283,062,270	-
Fund balance, June 30	$ 283,062,270	$ 287,705,194	$ 877,785,898	$ 590,080,704

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, 2022
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Revenues				
Global Commitment Premiums	$ 1,671,191,536	$ 1,835,327,481	$ 1,747,545,430	$ (87,782,051)
Total revenues	1,671,191,536	1,835,327,481	1,747,545,430	(87,782,051)
Expenditures				
Human Services				
Agency of Human Services	1,641,496,441	1,805,632,386	1,717,886,463	(87,745,923)
General Education				
Higher Education	409,461	409,461	409,461	-
Agency of Education	260,000	260,000	223,873	(36,127)
Total expenditures	1,642,165,902	1,806,301,847	1,718,519,797	(87,782,050)
Excess of revenues over (under) expenditures	29,025,634	29,025,634	29,025,633	(1)
Other financing sources (uses)				
Transfers out	(29,025,634)	(29,025,634)	(29,025,634)	-
Total other financing sources (uses)	(29,025,634)	(29,025,634)	(29,025,634)	-
Excess of revenues and other sources over (under) expenditures and other uses	-	-	(1)	(1)
Fund balance, July 1	16,042	16,042	16,042	-
Fund balance, June 30	$ 16,042	$ 16,042	$ 16,041	$ (1)

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, 2022:

	General Fund	Transportation Fund	Education Fund	Special Fund	Federal Revenue Fund	Global Commitment Fund
Fund Balance - Budgetary Basis	$ 1,012,239,630	$ 18,501,010	$ 234,036,807	$ 306,918,624	$ 877,785,898	$ 16,041
Basis differences						
Cash not in budget balances	(47,829,870)	80,884	2,594,359	7,151,107	(137,038)	(7,740)
Taxes receivable	280,434,540	772,557	69,289,894	2,048,339	-	-
Notes and loans receivable	5,231,644	-	-	2,454,230	-	-
Other receivables	13,402,133	8,344,207	2,212,219	66,042,470	(7,036,146)	31,396,788
Interest receivable	895,801	26,671	-	(10,483)	-	-
Lease receivable	-	3,236,549	-	596,364	-	-
Due from other funds	3,369,313	239,227	117,362	33,000,806	1,044,979	60,425,993
Due from federal government	-	102,510,201	-	-	304,904,396	81,607,049
Due from component units	6,162,510	-	-	-	-	-
Interfund receivable	43,166,416	-	-	-	-	-
Advances to other funds	(199,496)	-	-	-	-	-
Advances to component units	5,500,000	-	-	-	-	-
Accounts payable	(36,205,748)	(62,796,227)	(30,529,112)	(25,492,230)	(93,391,944)	(140,198,379)
Accrued liabilities	(14,482,840)	(4,030,685)	-	(4,122,488)	(7,054,815)	(1,087,973)
Retainage payable	(557,630)	(78,660)	-	(438,682)	(3,311,412)	-
Unearned revenue	-	(149,051)	-	(131,025,985)	(935,860,124)	-
Tax refunds payable	(35,576,914)	-	(363,203)	(12,372)	-	-
Intergovernmental payables - federal government	-	-	-	-	(25,902,497)	-
Due to other funds	(65,606,852)	(4,364,061)	(37,632)	(7,733,255)	(38,238,690)	(1,847,021)
Due to component units	(100,695,864)	-	-	-	(76,492)	-
Unavailable revenue	(222,275,183)	(7,419,141)	(7,788,947)	(63,697,005)	-	(9,868,596)
Prepaid property taxes	-	-	(2,587,492)	-	-	-
Lease receivable deferred inflows	-	(3,466,151)	-	(632,537)	-	-
Entity differences						
Blended non-budgeted funds	-	3,987,674	-	5,824,975	450,548,927	-
Perspective differences						
Component unit included in budgeted funds	-	-	-	(4,435)	562,817	-
Fund Balance - GAAP Basis	$ 846,971,590	$ 55,395,004	$ 266,944,255	$ 190,867,443	$ 523,837,859	$ 20,436,162

APPENDIX B

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, 2023 Series A (the "Series A Bonds") and its General Obligation Refunding Bonds, 2023 Series B (Vermont Citizen Bonds) (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 August 22, 2023, with respect to the Series A Bonds, and August 23, 2023, with respect to the Series B Bonds.

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

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[†] 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.

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.

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: September 7, 2023

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, 2023 Series A and General Obligation Refunding Bonds, 2023 Series B (Vermont Citizen Bonds)
Date of Issuance:	September 7, 2023

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 September 7, 2023. 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

$62,765,000
State of Vermont
General Obligation Bonds, 2023 Series A
Dated Date of Delivery

and

$27,285,000
State of Vermont
General Obligation Refunding Bonds, 2023 Series B
(Vermont Citizen Bonds)
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. For tax years beginning after December 31, 2022, 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

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