

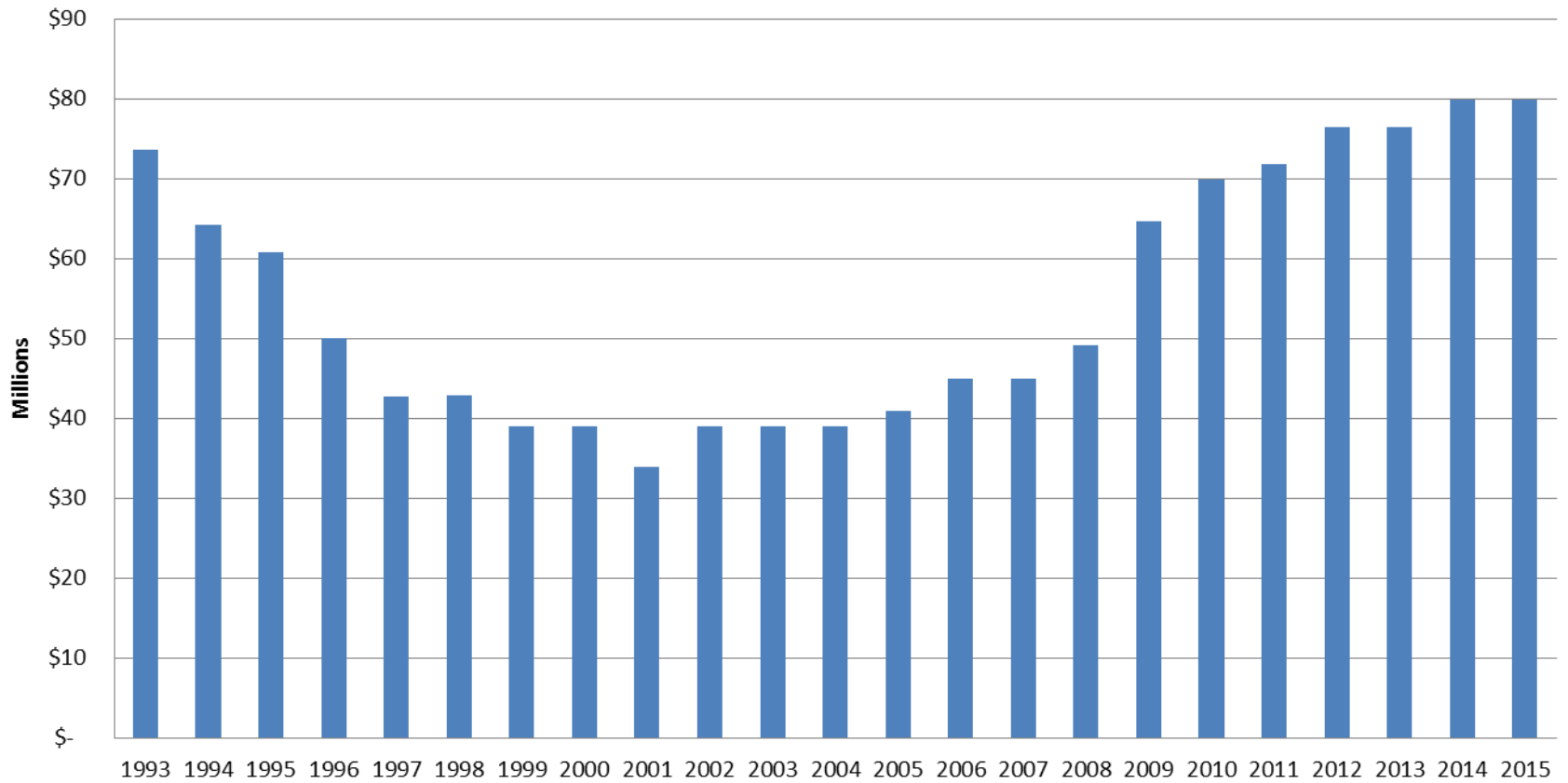
Capital Debt Budgeting in Vermont



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History of debt

Capital Debt Authorized



Credit Rating History - Vermont

MOODY'S INVESTORS SERVICE

RATING ACTION	DATE
Aaa	1971
Aa	9/20/72
Aa2*	10/20/97
Aa1	9/29/99
AAA	2/05/07

* In 1997, Moody's began refining ratings with numerical modifiers. The shift to the "Aa2" rating was part of this process.

FITCH RATINGS

RATING ACTION	DATE
AA	8/18/92
AA+	10/25/99
AAA*	4/5/10

* Resulted from Fitch's "recalibration" of public sector credit ratings.

STANDARD & POOR'S

RATING ACTION	DATE
AAA	10/2/63
Rating withdrawn	3/23/71
AA	2/28/73
Rating withdrawn	10/16/73
AA	4/25/86
AA-	6/10/91
AA	10/14/98
AA+	9/11/00
AA+ with Positive Outlook	9/18/12

Capital Debt Affordability Advisory Committee (CDAAC)

- 32 V.S.A. § 1001
- Recommends the limit for net state tax-supported
- Created in 1989
- 2004 started following a series of debt guidelines comparing VT to other AAA states
- Now VT has AAA from Moody's and Fitch, AA+ positive from S&P

CDAAC (cont.)

- Review the size and affordability of the state tax- supported general obligation debt
- Recommend maximum amount of new long-term general obligation debt that prudently may be authorized for the next fiscal year
- CDAAC recommendation has been adopted by the Governor and Legislature
- Review bonds, notes and other obligations of instrumentalities of the state for which the state has a contingent or limited liability

CDAAC Members

- 5 voting members
 - Treasurer
 - Sec of administration
 - Representative of municipal bond bank
 - 2 individuals with experience and not employed by state government
- Auditor is a non-voting member
- Legislative staff are invited for “purpose of fostering a mutual understanding .. on the appropriate statistics to be used....”

Two Year Recommendation

- Moved from annual to 2-year recommendation
- Goal: better manage large projects

Major Issues:

1. Comparison to Other States

- CDAAC compares VT to other states.
- As other states reducing debt per capita, if VT maintains same level of debt, VT looks relatively worse

Major Issues:

2. Who Controls?

- legislative concern about who controls debt setting priorities,
- auditors issues – what is debt supposed to do?
- Concerns about old infrastructure and boosting economy
- Goal
 - maintain AAA rating
 - Rebuild infrastructure

Issues

3. What is a capital expense

- Engineering costs
 - Capital or general expense?
 - Historically have moved it back and forth depending on availability of funds
 - Current proposal is to follow accounting practice and allow directly related expenses
- Information Technology (IT)
 - Currently trying to figure out how to fund IT
 - Historically funded with both general and capital funds

General

- No constitutional requirement for a balanced budget, but it is done
- VT is small and does not have growth like other states, so has to focus on management
- VT manages fiscal issues carefully
 - Yankee frugality: will turn a penny into copper wire

WHERE THE ECOLOGICALLY CORRECT
MEETS THE PATHOLOGICALLY FRUGAL

I've always washed and
reused my plastic wrap!
For years!



R. Christ