

CAPITAL DEBT AUTHORIZATION

Vermont State Treasurer's Office
February 2023



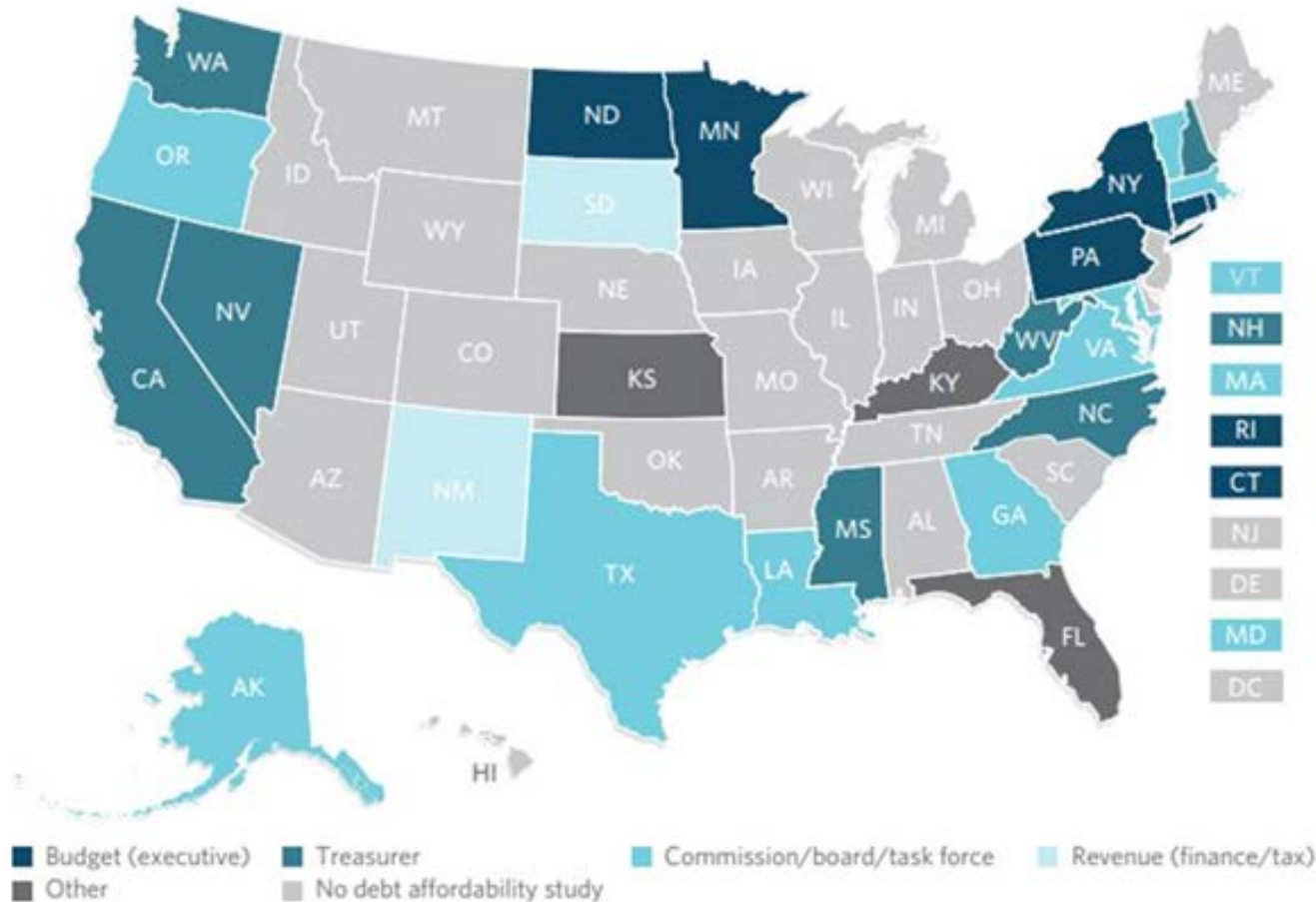
CAPITAL DEBT AFFORDABILITY ADVISORY COMMITTEE (CDAAC)

- **State Treasurer (Chair)**
- **Secretary of Administration**
- **Vermont Municipal Bond Bank representative**
- **2 Governor Appointees**
- **Treasurer Appointee**
- **State Auditor (non-voting)**
- **Legislative Economist of other designee of JFO (non-voting)**

Many U.S. States Conduct Debt Affordability Studies

Figure 10

Varying Offices Produce Debt Affordability Studies



Notes: In Kansas, the study is authored by an independent authority. In Kentucky, a legislative office serves as the author. The Florida Division of Bond Finance, within the State Board of Administration, conducts that state's study.⁷³ Hawaii produced its first state debt affordability study in December 2016, after the data collection for this report had concluded. The state's study is therefore not included in this analysis.

CAPITAL DEBT AFFORDABILITY ADVISORY COMMITTEE

- The CDAAC was created by State statute in 1989 (32 V.S.A. § 1001)
- Annually reviews affordability of Vermont's net tax-supported debt
- Reviews amount and condition of bonds, notes, and other obligations the State has a contingent liability or moral obligation
- Report due by September 30 to Governor and General Assembly– recommending amount of Net Tax-Supported Debt (NTSD) that may prudently be authorized for next fiscal year debt issuance
- Report to include the criteria that recognized bond rating agencies use to judge the quality of issues of State bonds, including
 - Projected Debt Service as a Percentage of Revenues (combined General and Trans. Funds)
 - Projected Debt Outstanding as a Percentage of Total State Personal Income
- Recommendation is advisory; in practice, Governor and General Assembly have always adopted

CDAAC CONSIDERATIONS

- 1. Amount of NTSD outstanding, and authorized but unissued amount**
- 2. Projected schedule of NTSD for next 10 years**
- 3. Projected debt service requirements**
- 4. Criteria used by bond rating agencies**
- 5. Amount of contingent liability debt outstanding and projected (moral obligation)**
- 6. Impact of capital spending upon economic conditions and outlook for the State**
- 7. Cost-benefit of various levels of debt financing, types of debt, maturity schedules**
- 8. Projections of capital needs authorized by JFO, Agency of Transportation, other depts.**
- 9. Any other factor relevant to State to meet its projected debt service requirements**
- 10. Effect of new debt authorizations on each of the above considerations**

BENCHMARK - AAA RATED STATES

STATE OF VERMONT 2022 STATES RATED TRIPLE-A BY TWO OR MORE RATING AGENCIES (as of September 30, 2022)

2022 Triple-A Rated States ⁽¹⁾	Moody's	S&P	Fitch
Delaware	Yes	Yes	Yes
Florida	Yes	Yes	Yes
Georgia	Yes	Yes	Yes
Idaho ⁽²⁾	Yes	No	Yes
Indiana ⁽³⁾	Yes	Yes	Yes
Iowa ⁽³⁾	Yes	Yes	Yes
Maryland	Yes	Yes	Yes
Minnesota ⁽⁴⁾	Yes	Yes	Yes
Missouri	Yes	Yes	Yes
North Carolina	Yes	Yes	Yes
South Carolina	Yes	No	Yes
South Dakota	Yes	Yes	Yes
Tennessee	Yes	Yes	Yes
Texas	Yes	Yes ⁽³⁾	Yes
Utah	Yes	Yes	Yes
Virginia	Yes	Yes	Yes
VERMONT ⁽⁵⁾	No	No	No

- (1) Sixteen states are currently rated triple-A by two or more of the nationally recognized rating agencies as of September 30, 2022.
- (2) Fitch upgraded Idaho on November 4, 2021 and Moody's upgraded Idaho on February 3, 2022.
- (3) Indicates issuer credit rating since state does not have any G.O. debt or the rating agency does not provide a rating on the state's G.O. debt.
- (4) Minnesota was upgraded to Aaa by Moody's on July 29, 2022.
- (5) Vermont was downgraded by Moody's to Aa1 in October 2018 and downgraded by Fitch to AA+ in July 2019.

DEBT PER CAPITA

STATE OF VERMONT DEBT PER CAPITA COMPARISON

Peer Group States (All states with at least two triple-A rating)
5-Year Average Mean and 5-Year Average Median Excluding Vermont:
MEAN: \$974 MEDIAN: \$633
5-Year Average Vermont: \$1,095

Triple-A Rated States ¹	Moody's Ratings ²	S&P Ratings ²	Fitch Ratings ²	Moody's Debt Per Capita				
				2018	2019	2020	2021	2022
Delaware	Aaa/Stable	AAA/Stable	AAA/Stable	2,587	3,206	3,289	3,400	4,143
Florida	Aaa/Stable	AAA/Stable	AAA/Stable	889	812	780	710	756
Georgia	Aaa/Stable	AAA/Stable	AAA/Stable	986	996	971	987	1,087
Idaho	Aaa/Stable	AA+/Stable	AAA/Stable	482*	506*	540*	490*	464
Indiana	Aaa/Stable	AAA/Stable	AAA/Stable	295	270	251	233	217
Iowa	Aaa/Stable	AAA/Stable	AAA/Stable	219	207	150	157	408
Maryland	Aaa/Stable	AAA/Stable	AAA/Stable	2,164	2,343	2,323	2,410	2,818
Minnesota	Aa1/Stable	AAA/Stable	AAA/Stable	1,430	1,415	1,406	1,400	1,462
Missouri	Aaa/Stable	AAA/Stable	AAA/Stable	532	487	464	413	398
North Carolina	Aaa/Stable	AAA/Stable	AAA/Stable	611	531	586	581	686
South Carolina	Aaa/Stable	AA+/Stable	AAA/Stable	517	503	469	415	435
South Dakota	Aaa/Stable	AAA/Stable	AAA/Stable	694	618	493	482	561
Tennessee	Aaa/Stable	AAA/Stable	AAA/Stable	312	305	292	266	285
Texas	Aaa/Stable	AAA/Stable	AAA/Stable	410	389	379	365	682
Utah	Aaa/Stable	AAA/Stable	AAA/Stable	772	792	720	866	899
Virginia	Aaa/Stable	AAA/Negative	AAA/Stable	1,515	1,502	1,677	1,746	1,823
MEAN³				929	958	950	962	1,070
MEDIAN³				694	618	586	581	684
VERMONT	Aa1/Stable	AA+/Stable	AA+/Stable	987	1,140	1,061	1,102	1,185

(1) States that carry at least two triple A ratings.

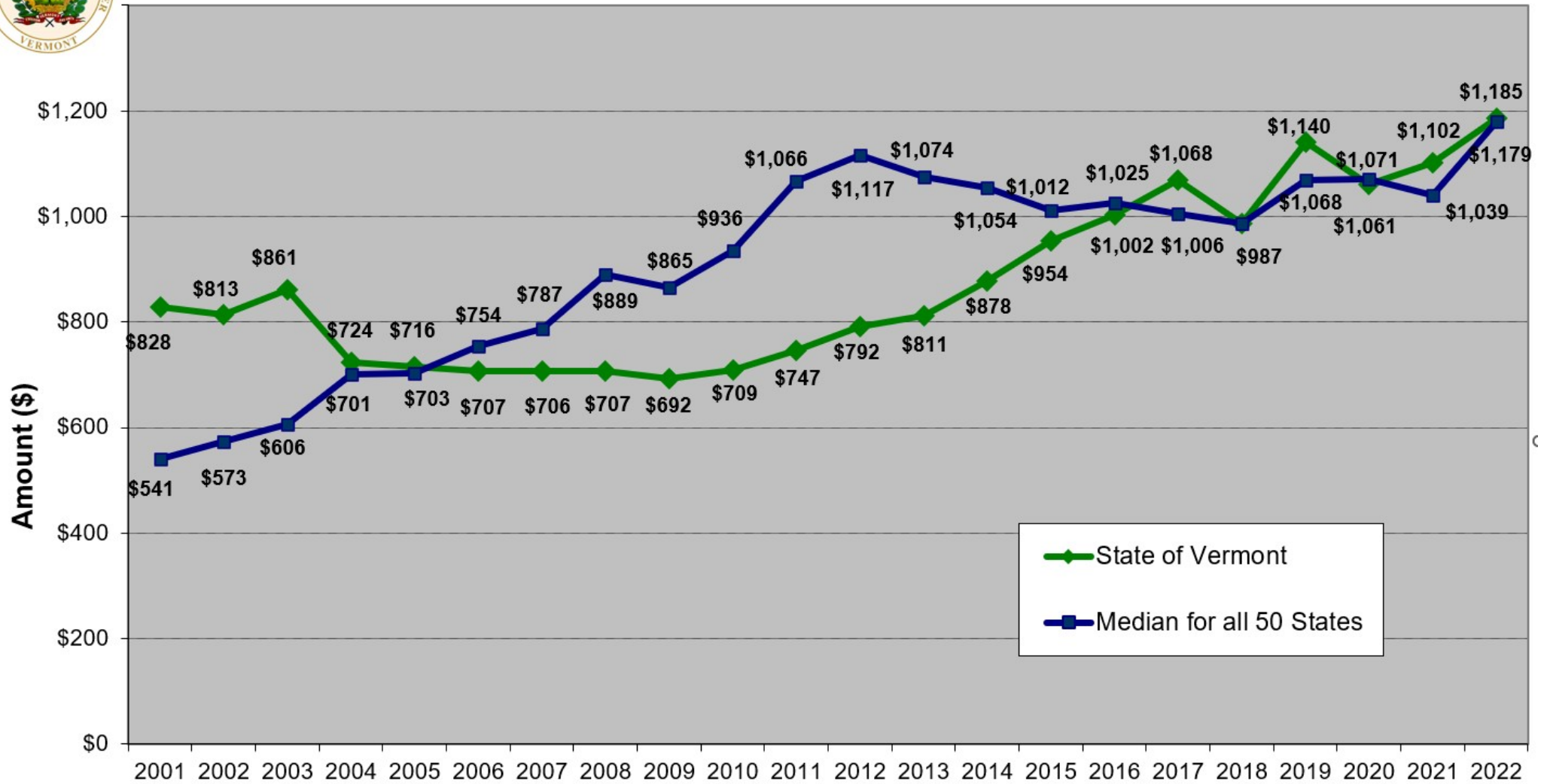
(2) Ratings as of September 30, 2022.

(3) These calculations exclude all Vermont numbers.

* Indicates that the state was not rated triple-A by two or more of this rating agencies during the year shown and amount not used in calculating the mean or median for the indicated year.



State of Vermont Net Tax Supported Debt Per Capita



DEBT AS A PERCENTAGE OF PERSONAL INCOME

STATE OF VERMONT DEBT AS % OF PERSONAL INCOME COMPARISON

Peer Group States (All states with at least two triple-A ratings)
5-Year Average Mean and 5-Year Average Median Excluding Vermont:
MEAN: 1.8% MEDIAN: 1.3%
5-Year Average Vermont: 2.0%

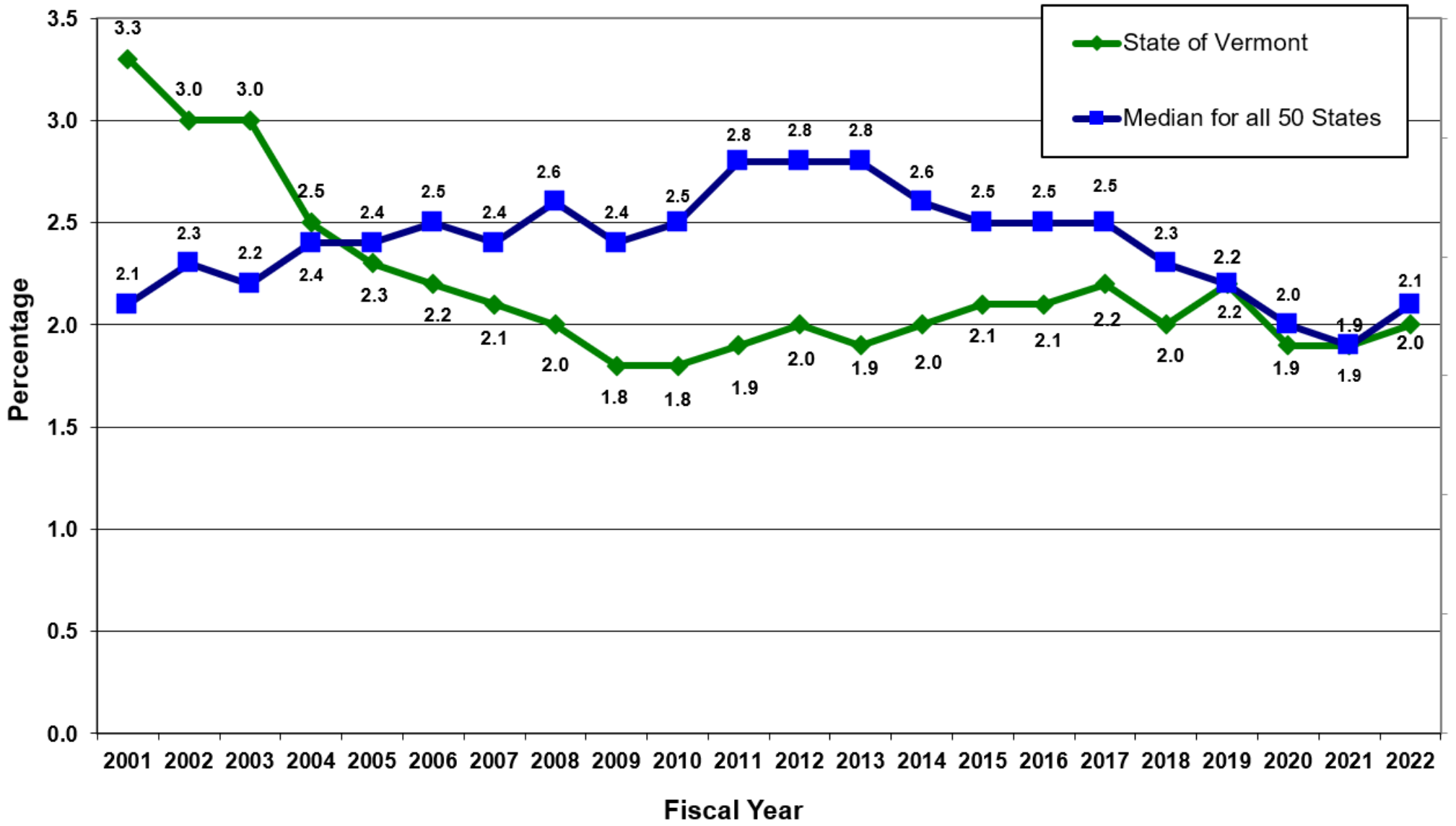
Triple-A Rated States	Moody's Debt as % of 2020 Personal Income				
	2018	2019	2020	2021	2022
Delaware	5.5	6.5	6.1	6.0	7.0
Florida	2.4	1.7	1.5	1.3	1.2
Georgia	2.0	2.3	2.0	1.9	2.0
Idaho	1.2*	1.2*	1.2*	1.0*	0.9
Indiana	0.7	0.6	0.5	0.5	0.4
Iowa	0.5	0.4	0.3	0.3	0.7
Maryland	3.7	3.8	3.5	3.5	4.1
Minnesota	2.8	2.6	2.4	2.3	2.2
Missouri	1.2	1.1	0.9	0.8	0.7
North Carolina	1.5	1.2	1.2	1.2	1.2
South Carolina	1.3	1.2	1.0	0.9	0.8
South Dakota	1.5	1.3	0.9	0.8	0.9
Tennessee	0.7	0.7	0.6	0.5	0.5
Texas	0.9	0.8	0.7	0.7	1.1
Utah	1.9	1.9	1.5	1.7	1.6
Virginia	2.9	2.7	2.8	2.8	2.8
MEAN¹	2.0	1.9	1.7	1.7	1.8
MEDIAN¹	1.5	1.3	1.2	1.2	1.2
VERMONT	2.0	2.2	1.9	1.9	2.0

(1) These calculations exclude all Vermont numbers and include only states rated triple-A by two or more of the rating agencies during the periods shown, as of September 30, 2022.

*Indicates that the state was not rated triple-A by two or more of the rating agencies during the year shown. Amount not used in calculating the mean or median for the year.

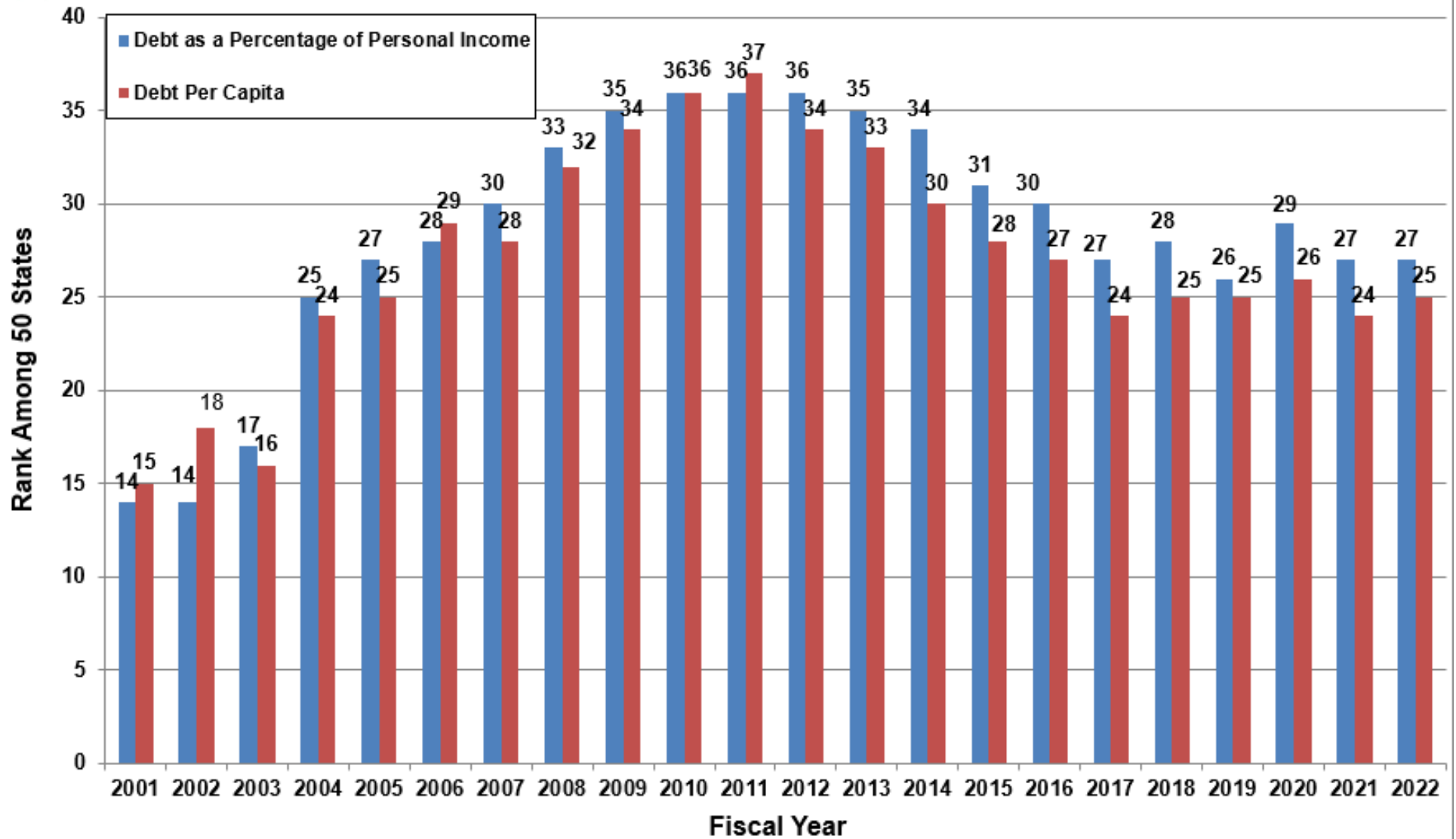


State of Vermont Net Tax Supported Debt as a Percent of Personal Income





State of Vermont Historical State Debt Rankings



DEBT AS A PERCENTAGE OF GROSS STATE PRODUCT

STATE OF VERMONT DEBT AS % OF GROSS STATE DOMESTIC PRODUCT COMPARISON

Peer Group States (All states with at least two triple-A ratings)
5-Year Average Mean and 5-Year Average Median Excluding Vermont:
MEAN: 1.6% MEDIAN: 1.1%
5-Year Average Vermont: 2.0%

Moody's Debt as % 2020 Gross State Domestic Product					
Triple-A Rated States	2018	2019	2020	2021	2022
Delaware	3.5	4.3	4.3	4.4	5.1
Florida	2.0	1.8	1.5	1.4	1.3
Georgia	1.9	1.9	1.7	1.7	1.7
Idaho	1.2*	1.2*	1.2*	1.1*	0.9
Indiana	0.6	0.5	0.5	0.4	0.4
Iowa	0.4	0.4	0.2	0.3	0.6
Maryland	3.4	3.6	3.3	3.5	4.0
Minnesota	2.4	2.3	2.1	2.1	2.0
Missouri	1.1	1.0	0.9	0.8	0.7
North Carolina	1.2	1.0	1.0	1.1	1.1
South Carolina	1.2	1.2	1.0	0.9	0.8
South Dakota	1.3	1.1	0.8	0.8	0.8
Tennessee	0.6	0.6	0.5	0.5	0.5
Texas	0.7	0.7	0.6	0.6	1.0
Utah	1.5	1.5	1.2	1.4	1.4
Virginia	2.6	2.5	2.6	2.7	2.7
MEAN¹	1.6	1.6	1.5	1.5	1.6
MEDIAN¹	1.3	1.2	1.0	1.1	1.1
VERMONT	2.0	2.2	1.9	2.1	2.1

(1) These calculations exclude all Vermont numbers and include only states rated triple-A by two or more of the rating agencies during the periods shown, as of September 30, 2022.

*Indicates that the state was not rated triple-A by two or more of the rating agencies during the year shown. Amount not used in calculating the mean or median for the year.

Vermont Bond Ratings

- The major credit rating agencies are:
 - Moody's Investors Service
 - S&P Global Ratings
 - Fitch Ratings
- Fitch affirmed the State's rating of AA+ in January 2023, Moody's affirmed the rating of Aa1 in July 2022, both with Stable outlooks. S&P affirmed the rating of AA+ and upgraded the outlook to Stable in August 2022.
- Vermont has the highest bond ratings of the New England states, resulting in the lowest interest rates (cheapest borrowing cost)

BOND RATINGS CHART				
	Moody's	S&P	Fitch	Meaning
Investment Grade	Aaa	AAA	AAA	High quality; minimal risk of default
	Aa1	AA+	AA+	High quality; very low credit risk
	Aa2	AA	AA	
	Aa3	AA-	AA-	
	A1	A+	A+	Upper-medium grade; low credit risk but somewhat specific susceptible to adverse factors
	A2	A	A	
	A3	A-	A-	
	Baa1	BBB+	BBB+	Medium grade; moderate credit risk; may have some

State	Moody's	S&P	Fitch
Vermont	Aa1	AA+	AA+
Connecticut	Aa3	AA-	AA-
Maine	Aa2	AA	AA
Massachusetts	Aa1	AA	AA+
New Hampshire	Aa1	AA	AA+
Rhode Island	Aa2	AA	AA

Rating Agency Commentary for Vermont

MOODY'S
INVESTORS SERVICE

**STANDARD
& POOR'S**
RATINGS SERVICES

FitchRatings

Aa1 (Stable)

Report Dated: 7/21/22

AA+ (Stable)

Report Dated: 8/19/2022

AA+ (Stable)

Report Dated: 1/27/23

Credit Strengths

- Although the state's economy is the smallest of all US states, resident income is above average, educational attainment is high, and unemployment is low
- Financial operations and budget reserves are sound and stable, and liquidity is very healthy

- Strong financial and budget management policies that have contributed to consistently good reserve and liquidity levels
- Well-defined debt affordability and capital-planning processes that have limited leverage and contributed to a modest tax-supported debt burden with rapid amortization of tax-supported debt

- Disciplined financial management and cautious revenue forecasting
- Ample expenditure flexibility with a low burden of carrying costs for liabilities and broad expense-cutting ability
- Leaders maintain close oversight and management of debt issuance, and have engaged in multiple efforts to improve retirement liabilities sustainability over time

Credit Challenges

- The state's economic performance lags that of the US and many state peers, and an aging population may be a drag on future growth
- Relative to state GDP, Vermont's leverage (combined debt and unfunded post-employment liabilities) is higher than most states

- Significant pension and OPEB, which remain sizable relative to those of state peers, although recently enacted retirement reforms should moderate these liabilities over time
- Economic growth has been slow and demographic challenges persist, despite some recent improvement

- Small and modestly growing economy has a larger-than-average reliance on health and educational services, manufacturing and tourism; as such, it is exposed to several key large employers
- A decline in labor force participation due to increased retirements and other departures has slowed the pace of economic recovery
- Long-term liability burden is above U.S. states median, but remains moderate

CDAAC Recommendations and Comments

- **Recent limited debt issuance by other states, including our peer Triple-A rated states, has resulted in a weakening of Vermont's debt ratio comparative ratings**
- **Other factors – economic volatility and uncertainty, competing capital projects from available federal and local infrastructure funds, potential impacts of labor and materials availability and supply chain issues, increasing costs and/or delaying project timelines, historically high inflation, significantly increased borrowing costs**
- **Significantly higher than average Authorized but Unissued Debt**
- **This is the first year of the 2024-2025 biennium and the Committee has a two-year debt recommendation of \$108,000,000**
- **This represents a reduction of 12% from the prior biennium and 37% since the 2014-15 recommendation**
- **Potential of increasing the second year of the biennial recommendation given the factors above**

DEBT METRIC PROJECTIONS

State of Vermont
 Scenario: \$54.000 Million Annually
 Historical and Project Debt Ratios
 Net Tax-Supported Debt (NTSD) includes GO Bonds, Leases and Housing Bonds
 \$185.355M in 2023; \$54.000M Annually through 2033

Fiscal Year (ending 6/30)	Net Tax-Supported Debt Per Capita (in \$)			Net Tax-Supported Debt as Percent of Personal Income			Net Tax-Supported Debt Service as Percent of Revenues: ⁽⁵⁾		
	State of Vermont	Moody's Median	State's Rank ⁽⁴⁾	State of Vermont	Moody's Median	State's Rank ⁽⁴⁾	State of Vermont ⁽²⁾	Moody's Median	State's Rank ⁽⁴⁾
Actual ⁽¹⁾									
2011	747	1,066	37	1.9	2.8	36	5.1	4.9	n.a.
2012	792	1,117	34	2.0	2.8	36	4.9	4.9	n.a.
2013	811	1,074	33	1.9	2.8	35	4.6	4.9	n.a.
2014	878	1,054	30	2.0	2.6	34	4.7	5.1	n.a.
2015	954	1,012	28	2.1	2.5	31	4.2	5.3	n.a.
2016	1,002	1,027	27	2.1	2.5	30	4.2	4.3	n.a.
2017	1,068	1,006	24	2.2	2.5	27	4.3	4.1	n.a.
2018	987	987	25	2.0	2.3	28	4.0	4.2	n.a.
2019	1,140	1,068	25	2.2	2.2	26	4.1	4.1	n.a.
2020	1,061	1,071	26	1.9	2.0	29	4.3	3.8	n.a.
2021	1,102	1,039	24	1.9	1.9	27	4.0	3.9	n.a.
2022	1,185	1,179	25	2.0	2.1	26	3.7	2.1	n.a.
Current ⁽²⁾	1,070	n.a.	n.a.	1.8	n.a.	n.a.	3.7	n.a.	n.a.
Projected (FYE 6/30) ⁽³⁾		State Guideline ⁽⁶⁾			State Guideline ⁽⁷⁾			State Guideline	
2023	1,253	650		2.0	1.8		3.7	6.0	
2024	1,224	668		1.8	1.8		4.5	6.0	
2025	1,193	686		1.7	1.8		4.4	6.0	
2026	1,164	704		1.6	1.8		4.2	6.0	
2027	1,134	723		1.5	1.8		4.0	6.0	
2028	1,103	743		1.4	1.8		3.9	6.0	
2029	1,071	763		1.3	1.8		3.8	6.0	
2030	1,039	783		1.2	1.8		3.6	6.0	
2031	1,007	805		1.1	1.8		3.5	6.0	
2032	985	826		1.1	1.8		3.2	6.0	
2033	961	849		1.0	1.8		3.1	6.0	
5-Year Average of Moody's Mean for Triple-A States		974			1.8			n.a.	
5-Year Average of Moody's Median for Triple-A States		633			1.3			n.a.	

Note: Shaded figures in the State's debt per capita projection and State's debt as percentage of personal income, in fiscal years 2023-2033 and fiscal year 2023, respectively represent the period when Vermont is expected to exceed the projected, respective State Guideline consistent with the current guideline calculation methodology and the assumption that the State will issue bonds consistent with the proposed two-year authorization (footnote (3)). See Section 6, "State Guidelines and Recent Events."

(1) Actual data compiled by Moody's Investors Service, reflective of all 50 states. Moody's uses states' prior year figures to calculate the "Actual" year numbers in the table.

(2) Calculated by Public Resources Advisory Group, Inc. using outstanding Long-Term Net Tax-Supported Debt of \$692.791 million as of 6/30/22 divided by Vermont's 2022 population of 647,738 as projected by EPR.

(3) Projections assume issuance of \$185.355 million in FY 2023 and \$54.000 million in FY 2024 through FY 2033.

(4) Rankings are in numerically descending order (i.e., from high to low debt).

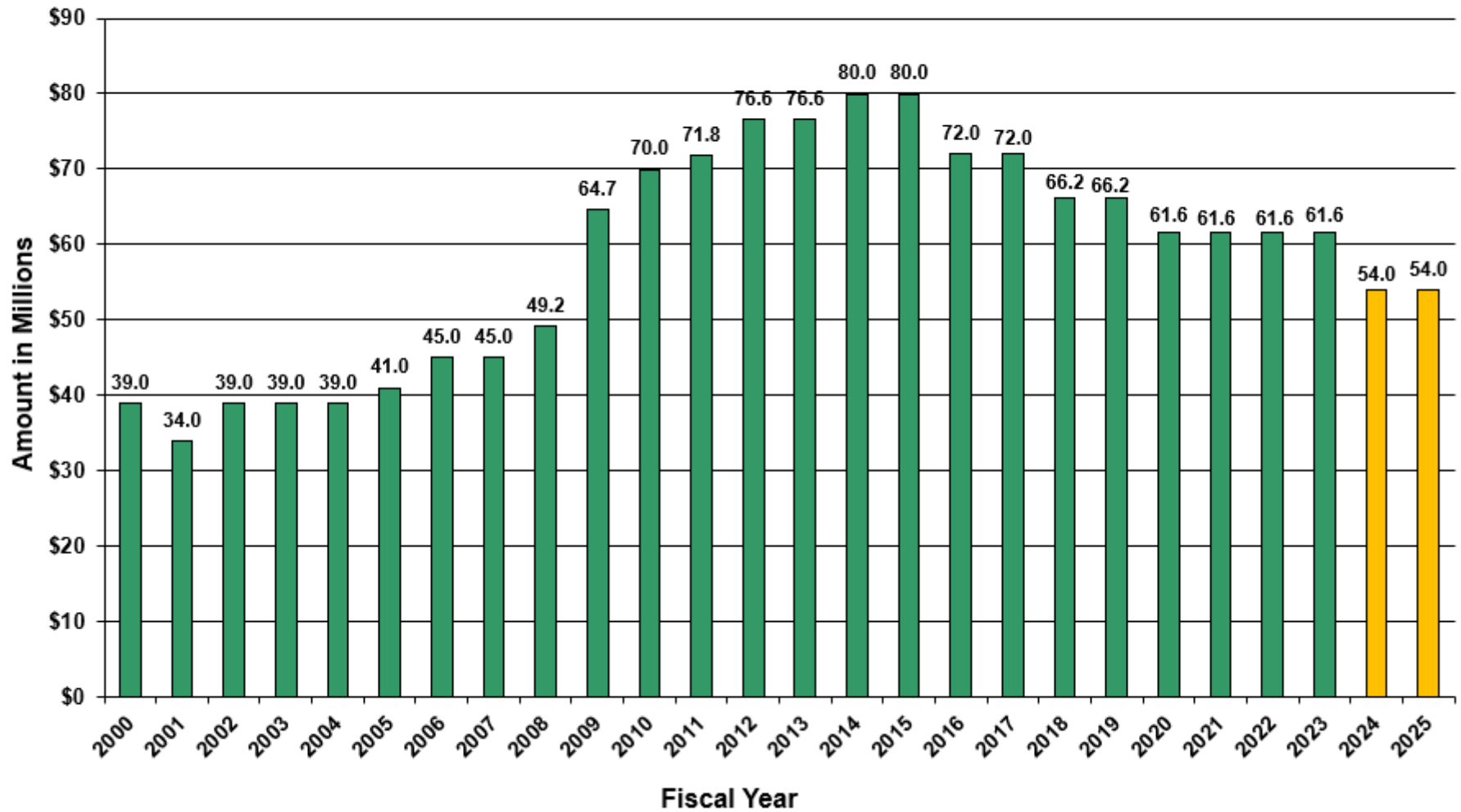
(5) Revenues are aggregate of State's General Fund, including changes related to Act 11 as calculated by EPR, and Transportation Fund. Projected debt service is based on estimated interest rates at 5% over the projected period. Calculated by Public Resources Advisory Group, Inc.

(6) State Guideline equals the 5-year average of Moody's median for the Peer Group of 6633 increasing annually at 2.7%.

(7) The 5-year average of Moody's median for the Peer Group is 1.3%. Since the annual number is quite volatile, ranging from 1.3% to 1.9% over the last five years, the State Guideline is 1.8% for FY 2023 - FY 2033.

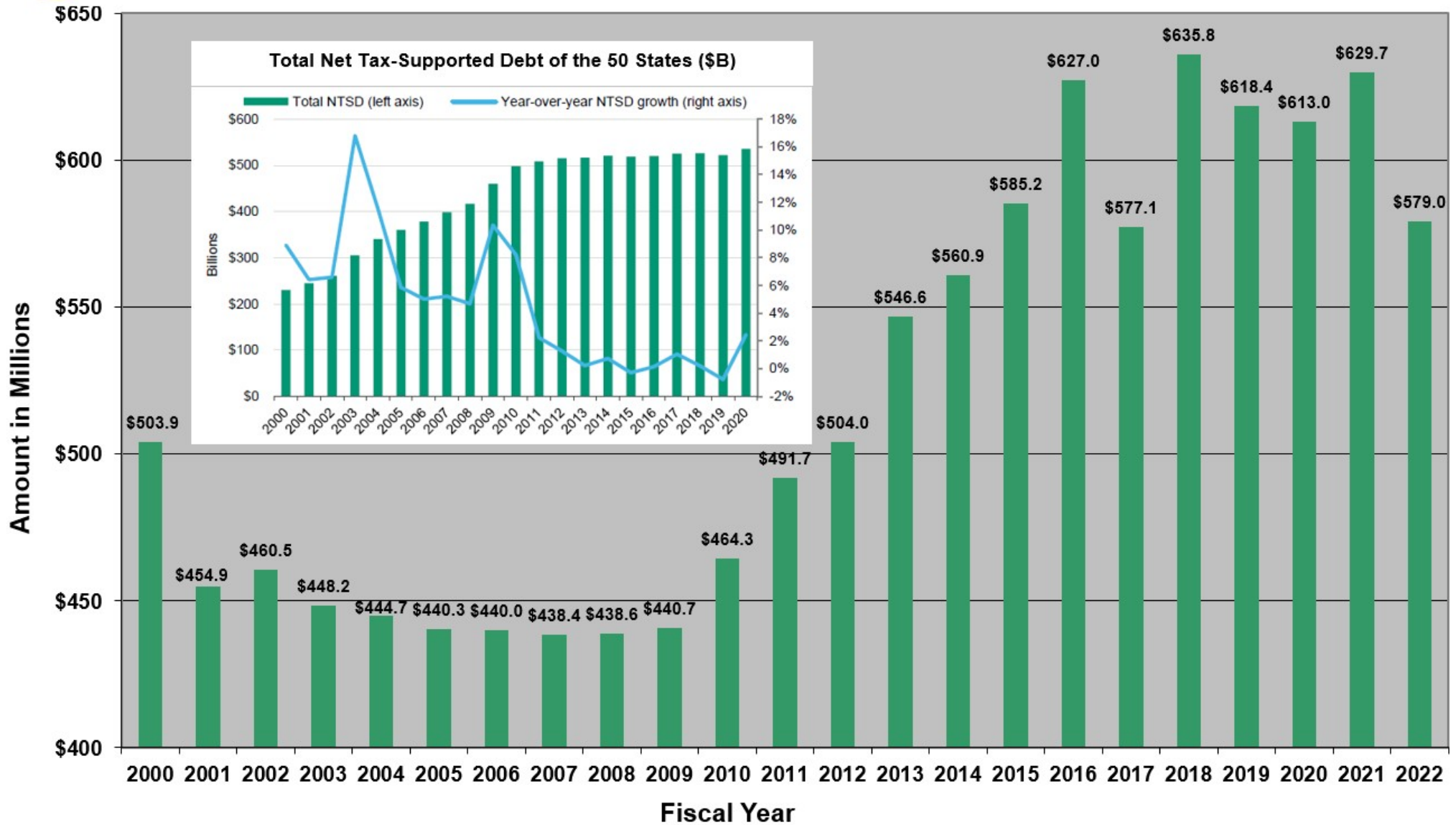


State of Vermont - General Obligation (G.O.) Debt Authorizations FY2000-FY2025 (\$ millions)





State of Vermont G.O. Debt Outstanding, FY2000-FY2022 vs. National Trend



STATE NET TAX SUPPORTED DEBT

As of June 30, 2022 (In Thousands)

General Obligation Bonds:

General Fund	\$577,022
Transportation Fund	1,978

VHFA Property Transfer Tax Bonds:

Property Transfer Tax Bonds, Series 2018	\$30,225
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Leases:

Various Leases	\$83,566
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Reserve Fund Commitments¹:

Vermont Municipal Bond Bank	\$587,472
Vermont Housing Finance Agency	155,000
Vermont Economic Development Authority	181,000
Vermont Student Assistance Corporation	50,000
Vermont Telecommunications Authority ²	40,000
University of Vermont/State Colleges	100,000

Gross Direct and Contingent Debt	\$1,806,263
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Less:

Reserve Fund Commitments	(1,113,472)
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Net Tax-Supported Debt	<u><u>\$692,791</u></u>
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¹Figures 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 statute. See “Moral Obligation Indebtedness” herein for additional information.

²The General Assembly dissolved the Vermont Telecommunications Authority in 2014, however, this amount remains available to the Vermont Telecommunications Authority by statute should it ever be reconstituted.

ADDITIONAL CONSIDERATIONS

Rating Agencies now including “long-term liabilities” as rating factors. These are primarily pension and OPEB liabilities. Committee decided not to adjust guidelines at this time but has discussed reconsidering its guidelines in the very near future.

Moody's Pension Ratios	State of Vermont Rankings	
	2020 ^{1,2}	2021 ^{1,3}
ANPL as % of Personal Income	8	8
ANPL as % of State Gross Domestic Product	7	7
ANPL Per Capita	9	8
ANPL as % of Own-Source Revenue	14	12
Debt + ANPL + ANOL + Other Long-term Liabilities as a % of Own-Source Revenue	N/A	13

Sources: *Moody's Pension and OPEB Liabilities Up Ahead of Decline in 2022*, September 30, 2021.

Moody's Debt, Pension and OPEB Liabilities All Up in Fiscal 2021, September 7, 2022.

¹Rankings are in numerically descending order, with the state having the highest Moody's Adjusted Net Pension Liability statistic ranked 1st and the state having the lowest Adjusted Net Pension Liability statistic ranked 50th.

²Based on a FTSE Pension Liability Index of 2.84%.

³Based on a FTSE Pension Liability Index of 4.48%.

**STATE OF VERMONT AND PEER GROUP STATES'
MOODY'S PENSION LIABILITIES METRICS***

Triple-A Rated States	Moody's Adjusted Net Pension Liability (ANPL) ¹			
	As % of PI	As % of State GDP	Per Capita (\$)	As % of Revenues
Delaware	12.1	10.3	8,317	108
Florida	2.4	2.6	1,447	55
Georgia	2.4	2.1	1,348	47
Idaho	3.3	3.4	1,689	41
Indiana	5.4	4.9	3,021	84
Iowa	2.8	2.3	1,604	42
Maryland	15.8	15.4	10,918	218
Minnesota	3.9	3.5	2,542	44
Missouri	4.9	4.6	2,713	105
North Carolina	2.6	2.3	1,414	41
South Carolina	13.8	13.8	7,201	197
South Dakota	2.8	2.6	1,788	53
Tennessee	2.4	2.2	1,342	39
Texas	10.0	8.9	5,954	189
Utah	3.1	2.6	1,703	42
Virginia	2.7	2.6	1,760	42
MEAN²	5.7	5.3	3,423	84
MEDIAN²	3.2	3.0	1,774	50
VERMONT³	20	21.3	11,939	175
VERMONT's 50 STATE RANK⁴	8	7	8	12

Source: Moody's *Debt, Pension and OPEB Liabilities All Up in Fiscal 2021*, September 7, 2022.

¹Based on a FTSE PLI of 4.48%.

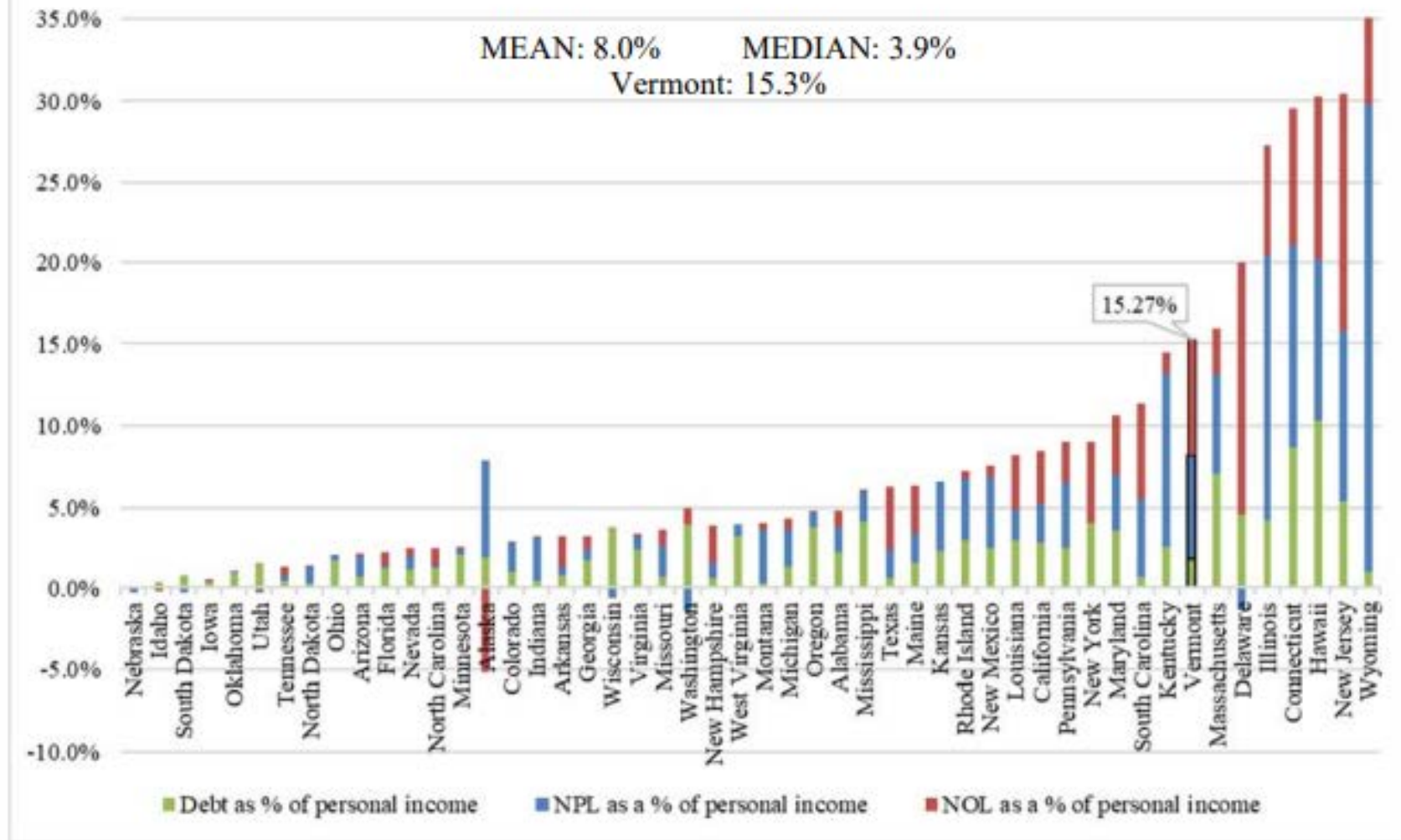
²Calculated by Public Resources Advisory Group, Inc. These calculations exclude all Vermont numbers and include only states rated triple-A by two or more of the rating agencies, year ended June 30th, 2020.

³Vermont numbers include the combined defined benefits plans of the Vermont State Employees' Retirement System and the Vermont State Teachers' Retirement System.

⁴Rankings are in numerically descending order, with the state having the highest Moody's Adjusted Net Pension Liability statistic ranked 1st and the state having the lowest Adjusted Net Pension Liability statistic ranked 50th.

*Sources does not take into account differing retirement benefits among states.

S&P's State Tax-Supported Debt, NPL and NOL as % of Personal Income

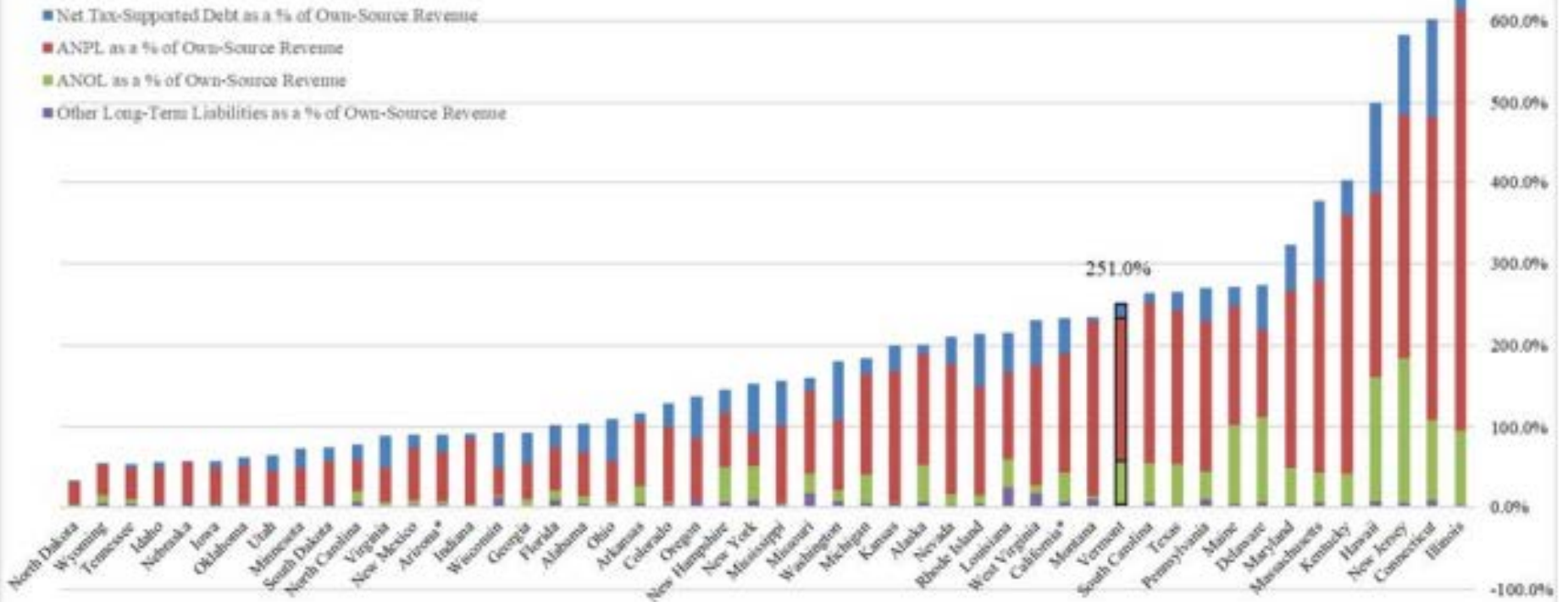


Source: S&P's "Market Swings Could Signal Contribution Volatility For U.S. State Pensions and OPEBs", August 3, 2022

NTSD + ANPL + ANOL + Other Long-Term Liabilities as a % of Own-Source Revenues

MEAN: 194.3% MEDIAN: 155.0%

Vermont: 251.0%



Source: Moody's State Pension Medians Report September 30, 2021

Bond Rating Credit Priorities

- **PENSION FUNDING:** Continue 100% funding of the annual required contributions (ADECs) to the Vermont State Employees' and State Teachers' Retirement Systems pension funds
- **RESERVES:** Continue to maintain budget stabilization reserves, and build the General Fund Balance Reserve (or "rainy day reserve") incrementally and over time
- **DEBT RECOMMENDATION:** Continue unbroken record of adopting the Capital Debt Affordability Advisory Committee's (CDAAC) biennium recommendation; adopt recommended \$108 million debt authorization for the 2023-2024 biennium Capital Bill

CAPITAL EXPENDITURE CASH FUND (CECF)

- **Created in Sec. E.106.1 of Act 185 (the 2022 Big Bill), added to Title 32:**

32 V.S.A. § 1001b. CAPITAL EXPENDITURE CASH FUND

(a) Creation. There is hereby created the Capital Expenditure Cash Fund to be administered by the Commissioner of Finance and Management, in consultation with the State Treasurer, for the purpose of using general funds to defray the costs of future capital expenditures that would otherwise be paid for using the State’s general obligation bonding authority and debt service obligations.

- **Goal of CECF was to create a source of “Pay-as-you-go” or “Pay-Go” funding as an alternative to bonds, to save on bond interest costs as rates have risen**
- **Sec. 102 of Act 185 also provided funding to the CECF as follows:**
 - **Sec. 102(b)(12) provided \$25 million to the CECF**
 - **Sec. 102(b)(5)(B) provided \$20 million to the Treasurer’s Office to redeem G.O. bonds prior to maturity, with reductions in debt service payments starting in FY24 to be transferred and reserved in the CECF (this redemption transaction is pending)**