

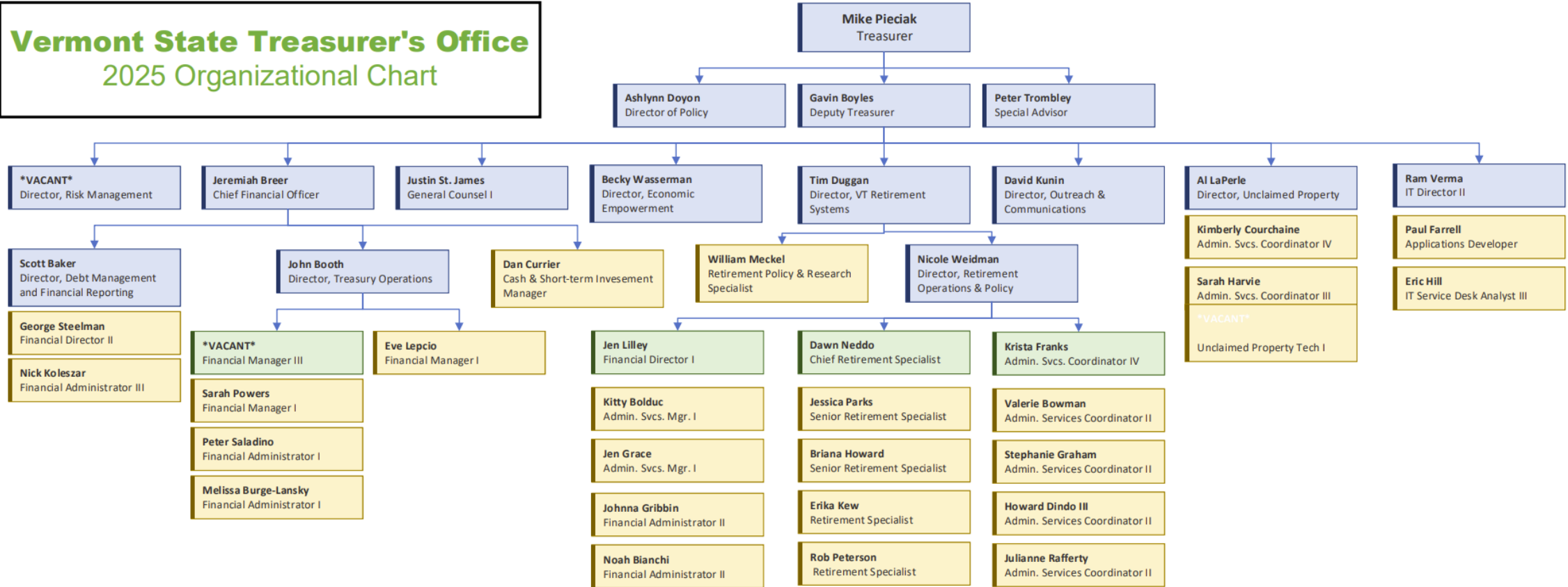
Brief Treasurer's Office Overview and Selected Topics



**Presentation to the Senate
Committee on Appropriations
February 2025**

Vermont State Treasurer's Office

2025 Organizational Chart



Committee Requested Topics:

- State bond ratings/capital debt affordability
- Unclaimed Property
- Higher Education Trust Fund
- BAA Sections 74,75,76,77

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 or other designee of JFO (non-voting)

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**

Vermont Bond Ratings

- The major credit rating agencies are:
 - Moody's Investors Service
 - S&P Global Ratings
 - Fitch Ratings
- The Rating Agencies generally look at several key indicators when assessing ratings:
 - Economy**, which typically includes assessments of state demographics, income and wealth assessment, GDP and growth prospects;
 - Financial Performance**, which typically assesses a state's ability to generate revenues and manage expenditures;
 - Governance assessments** reflect qualitative assessments of a state's policies and constitutional authorities, and
 - Long-Term Liabilities**, including debt, leases, pension and OPEBs.
- In May/June 2024, Moody's affirmed the State's rating of Aa1 and Fitch and S&P affirmed the rating of AA+, all with Stable outlooks. These are all the 2nd highest rating assigned.
- Vermont's high bond ratings result in low interest rates (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

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 2026-2027 biennium and the Committee has a two-year debt recommendation of \$100,000,000
- This represents a reduction of 7% 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

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 \$100 million debt authorization for the 2026-2027 biennium Capital Bill

Unclaimed Property

- Unclaimed property includes any type of financial asset owed to an individual, business, agency, nonprofit, etc. and in possession of a holder for a specified amount of time without any contact from the “owner” (individual owed the credit, refund, rebate, etc.).
- Banks, credit unions, corporations, utilities, insurance agencies, retailers, states and state agencies, brokerage houses and other entities annually report forgotten financial assets including:
 - Forgotten bank accounts
 - Uncashed pay checks
 - Unrefunded security deposits
 - Stocks returned by the US Postal Service
 - Mutual funds
 - IRAs
 - Forgotten contents of safe deposit boxes
- Forgotten financial assets are reported to unclaimed property departments in all 50 states in the U.S., as well as in the District of Columbia, Canada, Puerto Rico and the U.S. Virgin Islands.
- The Vermont State Treasurer's Office receives these assets and safeguards them until claimed by rightful owners or heirs. Unclaimed property is held in perpetuity until claimed by the owner or the heirs. **You never lose your right to claim funds.**

Unclaimed Property Cont.

- Paid 19,010 claims in FY24, totaling \$5.8 million.
- Took in \$18.14 million, holding over \$130 million total.
- Nonprofit pilot program with Secretary of State
- MoneyBack Pilot Program
- Positions Request
- Town Meeting Day lists

Higher Education Trust Fund

- Established in 1999 to provide non-loan financial aid to Vermont students attending UVM, Vermont State Colleges, and other VT post-secondary institutions
- Annual distribution amount depends on investment performance
- [Report submitted annually to General Assembly in September](#)
- End of FY24 fund balance \$36,757,647
- Overall gain of 10.2% for FY24
- Distribution of \$1,702,704 (\$567,568 to UVM, VSC, VSAC)

BAA Sections 74, 75, 76, 77

Friendly amendment to Gov Recommend section 77

- § 954. Proceeds
- (a) The proceeds arising from the sale of bonds, inclusive of any premiums, shall be applied to the purposes for which they were authorized, and the purposes ~~shall~~ may be considered to include ~~the expenses of preparing, issuing, and marketing the bonds and any notes issued under section 955 of this title, and~~ underwriters' fees and amounts for reserves, but no purchasers of the bonds shall be in any way bound to see to the proper application of the proceeds. The State Treasurer shall pay the interest on, principal of, investment return on, and maturity value of the bonds and notes as the same fall due or accrue without further order or authority. The State Treasurer, with the approval of the Governor, may establish sinking funds, reserve funds, or other special funds of the State as the State Treasurer may deem for the best interests of the State. To the extent not otherwise provided, the amount necessary each year to fulfill the maturing principal and interest of, investment return and maturity value of, and sinking fund installments on all the bonds then outstanding shall be included in and made a part of the annual appropriation bill for the expense of State government, and the principal and interest on, investment return and maturity value of, and sinking fund installments on the bonds as may come due before appropriations for their fulfillment have been made shall be fulfilled from the applicable debt service fund.

Thank you!

Ashlynn Doyon
Director of Policy

Ashlynn.Doyon@vermont.gov
(802) 595-3197