

# TRANSPORTATION INFRASTRUCTURE BONDS

Vermont State Treasurer's Office  
April 2026



# **STATE OF VERMONT BONDING**

The State Treasurer is responsible for the issuance and management of the State's debt

The Treasurer issues long-term debt consistent with authorization by the legislature

## **1. General Obligation Bonds**

G.O. Bonds are used for numerous purposes including construction and renovation of state office buildings and state recreational, cultural, health, correctional and educational facilities; making grants to municipalities for the purposes of funding wastewater and drinking water facilities upgrades, transportation projects; and other capital projects.

G.O. Bonds are issued to fund projects which have been appropriated through the annual Capital Bill

The full faith and credit of the State is pledged to the payment of the State's General Obligation Bonds

G.O. Bonds are issued with 20-year maturities

State of Vermont G.O. Bonds are rated Aa1/AA+/AA+ (Moody's/S&P/Fitch)



## 2. Transportation Infrastructure Bonds (TIBs)

Transportation Infrastructure Bonds may be issued to pay for the rehabilitation, reconstruction or replacement of State and municipal bridges, State culverts, roads, railroads, airports and necessary buildings with a remaining useful life of 30 years

TIBs are not full faith and credit obligations of the State

These are Special Obligation Bonds, repaid from motor fuel transportation infrastructure assessments of \$0.03 per gallon of diesel fuel and 2% of the retail price of each gallon of motor fuel

TIBs statute allows for up to 30-year debt service

They are considered Net Tax Supported Debt of the State

TIBs Bonds were rated Aa2/AA/AA+ (Moody's/S&P/Fitch)

# Net Tax Supported Debt and Moral Obligation Commitments

## Debt as of June 30, 2025

### Net Tax Supported Debt

General Obligation Bonds	\$	550,120,000
Property Transfer Tax Bonds, VHFA Series 2018	\$	25,745,000
Various Leases	\$	65,000,000
Subscription Based Information Technology Arrangements (SBITAs)	\$	22,141,000
<b>Total Net Tax Supported Debt</b>	<b>\$</b>	<b>663,006,000</b>

<b>Reserve Fund Commitments (Moral Obligation)</b>	<b>Maximum per Statute</b>	<b>Outstanding</b>
Vermont Bond Bank	\$ 686,735,000	\$ 686,735,000
Vermont Housing Finance Agency	\$ 155,000,000	\$ 48,953,849
Vermont Economic Development Authority	\$ 181,000,000	\$ 155,000,000
Vermont Student Assistance Corporation	\$ 50,000,000	\$ -
Vermont Telecommunications Authority	\$ 40,000,000	\$ -
University of Vermont	\$ 66,000,000	\$ -
Vermont State Colleges	\$ 34,000,000	\$ -
<b>Total Moral Obligation Commitments</b>	<b>\$ 1,212,735,000</b>	<b>\$ 890,688,849</b>

# ***TRANSPORTATION INFRASTRUCTURE BONDS***

- Vermont has issued three series of TIBs for a total of \$36,385,000
  - 2010 Series A - \$14,400,000
  - 2012 Series A - \$10,820,000
  - 2013 Series A - \$11,165,000

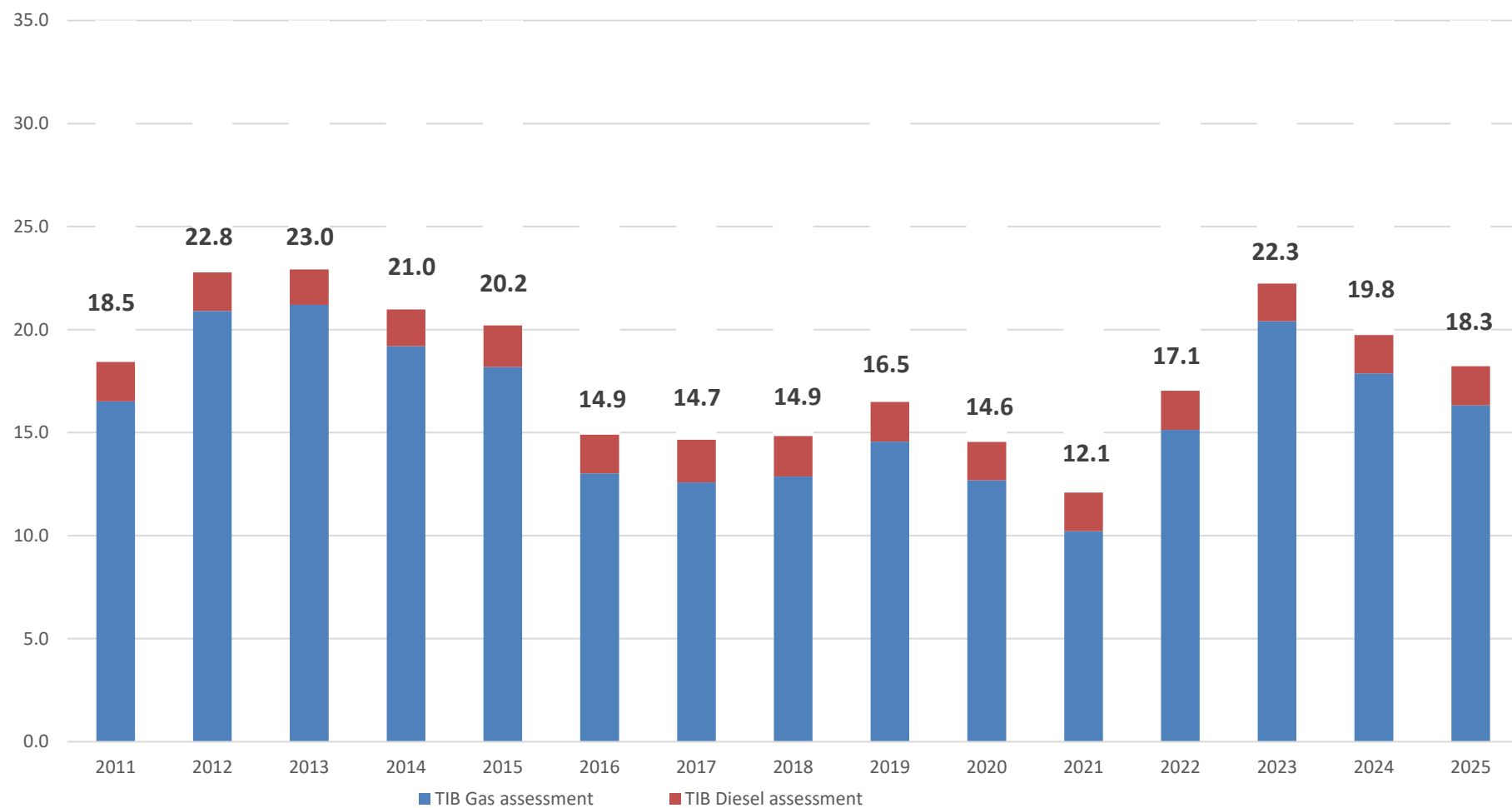
While the TIBs statute allows for up to 30-year debt service, the State used a 20-year term over concern that TIBs revenues would decline over a longer horizon as more drivers shifted to electric vehicles

- 2010 bonds – rehabilitation or replacement of five state bridges, construction of one roadway capacity project and rehabilitation and reconstruction of two interstate bridges
- 2012 bonds – rehabilitation or replacement of ten state bridges and four town highway bridges, reconstruction of two roadways and rehabilitation and reconstruction of two interstate bridges
- 2013 bonds – rehabilitation or replacement of eight state bridges, reconstruction or other safety-related improvements on five roadways and rehabilitation and reconstruction of three interstate bridges
- All outstanding TIBs bonds were redeemed in 2022

# TIBs REVENUES

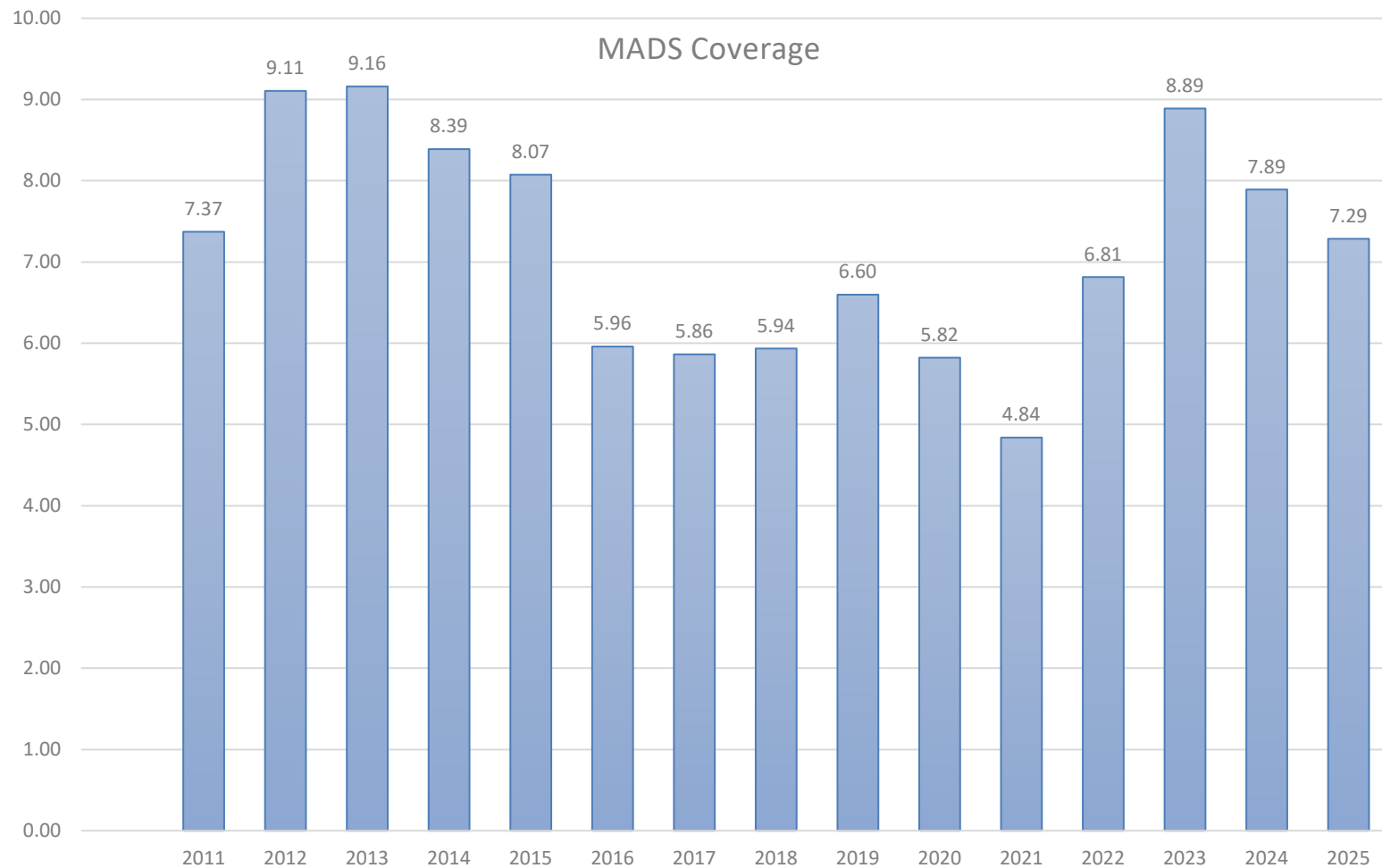
## TIBs Revenues

(in millions)



# TIBS Debt Service Coverage

Revenues as multiple of Maximum Annual Debt Service



## ***TIBS VS. PAY-AS-YOU-GO***

- **Public Resources Advisory Group (PRAG), our financial advisor, ran the following example**
- **Assumptions:**
- **TIBs borrowing rate of 3.57% (average 15-year municipal borrowing rate [MMD] from September 2022-2025, plus a spread reflecting TIBs estimated credit rating**
  - **This rate is also used as the present value factor for both the TIBs and PAYGO scenarios**
  - **This is a like rate to the true interest cost of bonds issued with 20-year terms and a level payment amortization**
- **A transportation project cost annual inflation rate of 5.98% (the average annualized Federal Highway Administration's National Highway Construction Cost Index (NHCC) from September 2022-2025**
- **For two PAYGO scenarios, 3-year and 5-year time horizons correspond to the standard and extended project expenditure periods for eligible tax-exempt financings. Also assume PAYGO funds for only 1/3 and 1/5 of total required projects are available each year, thus precluding the State from locking a contractor into a fixed price for the entire project or group of projects, instead subjecting the expenditures to annual price inflation**
- **Conversely, for TIBs financings, we assume the State is able to lock in the price of the entire group of projects in year 1, protecting against price inflation**

**State of Vermont  
Special Obligation Transportation Infrastructure Bonds (TIBs)  
vs. Pay-As-You-Go (PAYGO)**

**Assumptions**

Annual Inflation for Transportation Projects <sup>1</sup>	5.98%
TIBs Long-Term Average Borrowing/Discount Rate <sup>2</sup>	3.57%
Dollar Amount of Projects	\$50,000,000
Cost of Bond Issuance (% of Project Cost)	1.00%

**Results (Present Value Cost)**

<b>3-Year PAYGO</b>	<b>\$51,172,057</b>
<b>5-Year PAYGO</b>	<b>\$52,380,816</b>
<b>TIBs Financing</b>	<b>\$52,304,983</b>

Year	3-Year PAYGO Example		5-Year PAYGO Example		TIBs Financing	
	Pay-As-You-Go (PAYGO) Cost	Present Value Cost	Pay-As-You-Go (PAYGO) Cost	Present Value Cost	TIBs Debt Service Cost	Present Value Cost
1	\$16,666,667	\$16,666,667	\$10,000,000	\$10,000,000	\$3,577,140	\$3,577,140
2	\$17,663,907	\$17,054,346	\$10,598,344	\$10,232,608	\$3,577,140	\$3,453,697
3	\$18,720,816	\$17,451,044	\$11,232,490	\$10,470,626	\$3,577,140	\$3,334,514
4	\$0	\$0	\$11,904,579	\$10,714,181	\$3,577,140	\$3,219,444
5	\$0	\$0	\$12,616,883	\$10,963,401	\$3,577,140	\$3,108,345
6	\$0	\$0	\$0	\$0	\$3,577,140	\$3,001,080
7	\$0	\$0	\$0	\$0	\$3,577,140	\$2,897,516
8	\$0	\$0	\$0	\$0	\$3,577,140	\$2,797,526
9	\$0	\$0	\$0	\$0	\$3,577,140	\$2,700,987
10	\$0	\$0	\$0	\$0	\$3,577,140	\$2,607,779
11	\$0	\$0	\$0	\$0	\$3,577,140	\$2,517,787
12	\$0	\$0	\$0	\$0	\$3,577,140	\$2,430,902
13	\$0	\$0	\$0	\$0	\$3,577,140	\$2,347,014
14	\$0	\$0	\$0	\$0	\$3,577,140	\$2,266,021
15	\$0	\$0	\$0	\$0	\$3,577,140	\$2,187,824
16	\$0	\$0	\$0	\$0	\$3,577,140	\$2,112,324
17	\$0	\$0	\$0	\$0	\$3,577,140	\$2,039,431
18	\$0	\$0	\$0	\$0	\$3,577,140	\$1,969,052
19	\$0	\$0	\$0	\$0	\$3,577,140	\$1,901,103
20	\$0	\$0	\$0	\$0	\$3,577,140	\$1,835,498
	<b>PAYGO Cost:</b>	<b>\$51,172,057</b>	<b>PAYGO Cost:</b>	<b>\$52,380,816</b>	<b>TIBs Cost:</b>	<b>\$52,304,983</b>

**Notes:**

1. Federal Highway Administration National Highway Construction Cost Index (NHCCI) annualized from 2022 Q3 through 2025 Q3.
2. Average 15-Year MMD rate from September 30, 2022 through September 30, 2025, plus 0.30% (30 basis points).



## Summary

- The longer the PAYGO time horizon and the higher the annual inflation rate assumption for transportation related projects, the more attractive TIBs financing becomes on a present value basis
- In this example, 3-Year PAYGO is the least expensive, followed by the TIBs (marginally), followed by 5-Year PAYGO

# TIBS CAPACITY

**20-year capacity analysis for TIBs projects using FY25 actual TIBs revenues**

**2x minimum coverage: \$113.55 million in construction proceeds**  
with a \$7.9 million debt service reserve fund

**3x minimum coverage: \$75.61 million in construction proceeds**  
with a \$5.2 million debt service reserve fund

Assumptions:

Total Proceeds using a current Aa2/AA scale and 25 basis points of cushion

Cost of Issuance of \$250k

Underwriters Discount of \$4 per bond

Issuance Date 6/15/2027

## 2x coverage

Sources	Par Amount		\$113,745,000.00
	Premium		\$8,375,093.25
	Bond Proceeds/Total Sources		\$122,120,093.25
Uses	Construction Proceeds		\$113,546,708.08
	Debt Service Reserve Fund		\$7,868,405.17
	Cost of Issuance		\$250,000.00
	Underwriter's Discount		\$454,980.00
	Additional Proceeds		\$0.00
	Total Uses		\$122,120,093.25

FY		Principal	Interest	Debt Service	Coverage
2027	6/30/2027				
2028	6/30/2028	\$3,440,000.00	\$5,687,250.00	\$9,127,250.00	2.0006x
2029	6/30/2029	\$3,610,000.00	\$5,515,250.00	\$9,125,250.00	2.0010x
2030	6/30/2030	\$3,795,000.00	\$5,334,750.00	\$9,129,750.00	2.0001x
2031	6/30/2031	\$3,980,000.00	\$5,145,000.00	\$9,125,000.00	2.0011x
2032	6/30/2032	\$4,180,000.00	\$4,946,000.00	\$9,126,000.00	2.0009x
2033	6/30/2033	\$4,390,000.00	\$4,737,000.00	\$9,127,000.00	2.0007x
2034	6/30/2034	\$4,610,000.00	\$4,517,500.00	\$9,127,500.00	2.0005x
2035	6/30/2035	\$4,840,000.00	\$4,287,000.00	\$9,127,000.00	2.0007x
2036	6/30/2036	\$5,080,000.00	\$4,045,000.00	\$9,125,000.00	2.0011x
2037	6/30/2037	\$5,335,000.00	\$3,791,000.00	\$9,126,000.00	2.0009x
2038	6/30/2038	\$5,605,000.00	\$3,524,250.00	\$9,129,250.00	2.0002x
2039	6/30/2039	\$5,885,000.00	\$3,244,000.00	\$9,129,000.00	2.0002x
2040	6/30/2040	\$6,180,000.00	\$2,949,750.00	\$9,129,750.00	2.0001x
2041	6/30/2041	\$6,485,000.00	\$2,640,750.00	\$9,125,750.00	2.0009x
2042	6/30/2042	\$6,810,000.00	\$2,316,500.00	\$9,126,500.00	2.0008x
2043	6/30/2043	\$7,150,000.00	\$1,976,000.00	\$9,126,000.00	2.0009x
2044	6/30/2044	\$7,510,000.00	\$1,618,500.00	\$9,128,500.00	2.0003x
2045	6/30/2045	\$7,885,000.00	\$1,243,000.00	\$9,128,000.00	2.0004x
2046	6/30/2046	\$8,280,000.00	\$848,750.00	\$9,128,750.00	2.0003x
2047	6/30/2047	\$8,695,000.00	\$434,750.00	\$9,129,750.00	2.0001x
	Total	\$113,745,000.00	\$68,802,000.00	\$182,547,000.00	


## 3x coverage

Sources	Par Amount		\$75,825,000.00
	Premium		\$5,582,872.70
	Bond Proceeds/Total Sources		\$81,407,872.70
Uses	Construction Proceeds		\$75,609,497.27
	Debt Service Reserve Fund		\$5,245,075.43
	Cost of Issuance		\$250,000.00
	Underwriter's Discount		\$303,300.00
	Additional Proceeds		\$0.00
	Total Uses		\$81,407,872.70

FY		Principal	Interest	Debt Service	Coverage
2027	6/30/2027				
2028	6/30/2028	\$2,295,000.00	\$3,791,250.00	\$6,086,250.00	3.0002x
2029	6/30/2029	\$2,410,000.00	\$3,676,500.00	\$6,086,500.00	3.0001x
2030	6/30/2030	\$2,530,000.00	\$3,556,000.00	\$6,086,000.00	3.0003x
2031	6/30/2031	\$2,655,000.00	\$3,429,500.00	\$6,084,500.00	3.0011x
2032	6/30/2032	\$2,785,000.00	\$3,296,750.00	\$6,081,750.00	3.0024x
2033	6/30/2033	\$2,925,000.00	\$3,157,500.00	\$6,082,500.00	3.0021x
2034	6/30/2034	\$3,075,000.00	\$3,011,250.00	\$6,086,250.00	3.0002x
2035	6/30/2035	\$3,225,000.00	\$2,857,500.00	\$6,082,500.00	3.0021x
2036	6/30/2036	\$3,390,000.00	\$2,696,250.00	\$6,086,250.00	3.0002x
2037	6/30/2037	\$3,555,000.00	\$2,526,750.00	\$6,081,750.00	3.0024x
2038	6/30/2038	\$3,735,000.00	\$2,349,000.00	\$6,084,000.00	3.0013x
2039	6/30/2039	\$3,920,000.00	\$2,162,250.00	\$6,082,250.00	3.0022x
2040	6/30/2040	\$4,120,000.00	\$1,966,250.00	\$6,086,250.00	3.0002x
2041	6/30/2041	\$4,325,000.00	\$1,760,250.00	\$6,085,250.00	3.0007x
2042	6/30/2042	\$4,540,000.00	\$1,544,000.00	\$6,084,000.00	3.0013x
2043	6/30/2043	\$4,765,000.00	\$1,317,000.00	\$6,082,000.00	3.0023x
2044	6/30/2044	\$5,005,000.00	\$1,078,750.00	\$6,083,750.00	3.0014x
2045	6/30/2045	\$5,255,000.00	\$828,500.00	\$6,083,500.00	3.0016x
2046	6/30/2046	\$5,520,000.00	\$565,750.00	\$6,085,750.00	3.0005x
2047	6/30/2047	\$5,795,000.00	\$289,750.00	\$6,084,750.00	3.0009x
	Total	\$75,825,000.00	\$45,860,750.00	\$121,685,750.00	

## ***PRAG CONSIDERATIONS***

- 1. Currently, estimated TIBS borrowing rate would be approx. 3.9%, higher than the average rate in the example. Municipal rates have increased substantially in the last month. Municipal rates and the NHCCI may not be correlated, and higher municipal rates will make borrowing less favorable and higher construction rates could make borrowing more favorable.**
- 2. When the State authorized TIBs, it was thought that the rating agencies would not consider TIBs as “tax-supported debt” and the Capital Debt Affordability Advisory Committee (CDAAC) would not need to include the TIBs in the recommended annual tax supported debt. Over time, the rating agencies have included TIBs in their assessment of Vermont’s debt.**
- 3. The TIBs were rated Aa2/AA/AA+ when issued. Given that the pledge is a narrow fuel tax, the TIBs may not be rated as high as their past ratings and therefore the credit spread and the debt service may be higher. Other states have included, in addition to fuel taxes, registration fees, sales on cars and trucks, licenses, etc., which supports the credit**
- 4. PRAG recommends that the State only use TIBs for a significant dollar amount of projects (e.g., a minimum of \$50 million) owing to the time commitment required of State personnel and the expense associated with issuing TIBs. Many of the issuance costs (bond counsel, municipal advisor, economic consultant and rating agencies) are fixed fees, which drive up the all-in borrowing cost for smaller bond issued like the 2010, 2012, 2013 TIBs issues.**

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5. **The State may want to use its G.O. Bonds to finance transportation projects and have the Transportation Fund or the TIBs or General Fund revenue cover the debt service. The State's cost of capital for G.O. bonds would be lower than TIBs bonds debt service. Prior to the authorization of the TIBs bonds, the State financed transportation projects with G.O. bonds.**
  6. **The ability to get contractors and complete projects is important to this analysis. As part of the CDAAC process, we learned from BGS that the State has not been able to get sufficient contractors interested in seeking construction contracts. The authorized but unissued bonds projects are almost \$200 million. In order to take advantage of tax-exempt financing, the issuer needs to spend its proceeds within 5-year window.**
  7. **If the State is seriously interested in pursuing TIBs issuance, PRAG would want to conduct further analysis regarding the credit ratings and expected borrowing costs. The last issue of TIBs was sold in 2013, and all outstanding TIBs were redeemed in 2022. As such, there is no current or recent credit rating or market information available for the TIBs credit.**