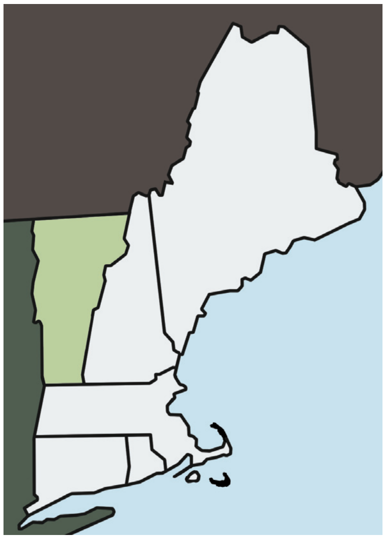
THE VOLCKER ALLIANCE

VERMONT Budget Report Card



VERMONT IS THE ONLY STATE without a balanced budget law but follows the example of its peers. It achieved an A average in budget maneuvers for fiscal 2016 through 2018, largely by avoiding one-time measures to keep revenues in line with expenditures. The only exception came in 2017, with the state pushing $16.3 million of corporate income tax refunds to 2018, when they were paid. Delaying the payment until 2018 offset a shortfall in income tax receipts.

Vermont's lowest grade was its D average in legacy costs. Though the state made the actuarially required contributions to public employee pension plans, it was hurt by a pension funded ratio of only 64.3 percent as of 2017, compared with the US total of 68.6 percent.

Another reason for the low grade was the state's failure to follow actuarial recommendations for funding other postemployment benefits (OPEB), such as health care. According to the *Executive Budget Summary*, the actuary for the Vermont State Employees' Retirement System recommended a contribution of almost $75 million to the OPEB plan in fiscal 2018, over twice the budgeted contribution of $36 million.

NEW ENGLAND STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Connecticut	A	C	D	B	B
Maine	B	B	B	B	B
Massachusetts	C	D	D-	A	B
New Hampshire	D	A	D	B	B
Rhode Island	A	C	B	B	B
Vermont	B	A	D	B	B
US AVERAGE	C	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.

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BUDGET FORECASTING

	2016	2017	2018
CATEGORY GRADE	B	B	B
Consensus Revenue Forecasts	✓	✓	✓
Multiyear Expenditure Forecasts	X	X	X
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓

3-YEAR AVERAGE B | 3-YEAR TREND —

BUDGET MANEUVERS

	2016	2017	2018
CATEGORY GRADE	A	B	A
Deferring Recurring Expenditures	✓	X	✓
Revenue and Cost Shifting	✓	✓	✓
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Up-Front Revenues	✓	✓	✓

3-YEAR AVERAGE A | 3-YEAR TREND —

LEGACY COSTS

	2016	2017	2018
CATEGORY GRADE	D	D	D
Public Employee OPEB Funding	X	X	X
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	64%	64%	64%

3-YEAR AVERAGE D | 3-YEAR TREND —

RESERVE FUNDS

	2016	2017	2018
CATEGORY GRADE	B	B	B
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✓	✓	✓
Reserve Funds Replenishment Policy	✓	✓	✓
Reserves Tied to Revenue Volatility	X	X	X

3-YEAR AVERAGE B | 3-YEAR TREND —

TRANSPARENCY

	2016	2017	2018
CATEGORY GRADE	B	B	B
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	X	X	X
Discloses Tax Expenditures	✓	✓	✓

3-YEAR AVERAGE B | 3-YEAR TREND —

KEY

✓	Followed best practice
X	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg; 2017 data also used for 2018.