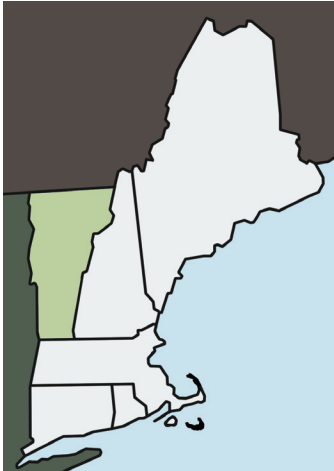


## VERMONT Budget Report Card



VERMONT POSTED B AVERAGES in three of the five categories evaluated for fiscal 2017 through 2019: budget forecasting, reserve funds, and transparency. In each one, it lacked only one element that would have earned a top A mark.

The state has strong budget forecasting procedures, including consensus revenue estimates. Its outlook for expenditures extends for only two years, however—one less than necessary to get full credit in the category. Vermont’s policies regarding reserve funds largely parallel those cited as best practices by the recent Volcker Alliance working paper, *Rainy Day Funds: A Call to Action*. The state falls short in not considering historical revenue volatility in its calculations of rainy day fund deposits.

The state’s B average in transparency reflected its failure to provide budgetary information on deferred infrastructure maintenance costs, a weakness shared by forty-four other states.

Vermont’s weakest grade was a D average in legacy costs, which cover public worker pensions and other postemployment benefits (OPEB), principally health care. With a high OPEB liability relative to its budget, the state contributed only 56 percent of the \$112 million actuarial recommendation for covered employees in 2018. Vermont’s pension contributions came close to meeting actuarial calculations, but its pensions were funded at 64 percent of estimated obligations—6 percentage points below the total for all states.

### NEW ENGLAND STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19


	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Connecticut	A	C	D	A	B
Maine	B	B	A	B	B
Massachusetts	C	C	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	B	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: The Balancing Act* at [VolckerAlliance.org](http://VolckerAlliance.org).


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BUDGET FORECASTING				
	2017	2018	2019	
	CATEGORY GRADE	<b>B</b>	<b>B</b>	<b>B</b>
	Consensus Revenue Forecasts	✓	✓	✓
	Multiyear Expenditure Forecasts	✗	✗	✗
	Multiyear Revenue Forecasts	✓	✓	✓
	Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE <b>B</b>		3-YEAR TREND <b>—</b>		

BUDGET MANEUVERS				
	2017	2018	2019	
	CATEGORY GRADE	<b>B</b>	<b>A</b>	<b>A</b>
	Deferring Recurring Expenditures	✗	✓	✓
	Revenue and Cost Shifting	✓	✓	✓
	Funding Recurring Expenditures with Debt	✓	✓	✓
	Using Asset Sales and Upfront Revenues	✓	✓	✓
3-YEAR AVERAGE <b>A</b>		3-YEAR TREND <b>↗</b>		

LEGACY COSTS				
	2017	2018	2019	
	CATEGORY GRADE	<b>D</b>	<b>D</b>	<b>D</b>
	Public Employee OPEB Funding	✗	✗	✗
	Public Employee Pension Funding	✓	✓	✓
	Public Employee Pension Funded Ratio*	64%	64%	64%
3-YEAR AVERAGE <b>D</b>		3-YEAR TREND <b>—</b>		

RESERVE FUNDS				
	2017	2018	2019	
	CATEGORY GRADE	<b>B</b>	<b>B</b>	<b>B</b>
	Positive Reserve or General Fund Balance	✓	✓	✓
	Reserve Funds Disbursement Policy	✓	✓	✓
	Reserve Funds Replenishment Policy	✓	✓	✓
	Reserves Tied to Revenue Volatility	✗	✗	✗
3-YEAR AVERAGE <b>B</b>		3-YEAR TREND <b>—</b>		

TRANSPARENCY				
	2017	2018	2019	
	CATEGORY GRADE	<b>B</b>	<b>B</b>	<b>B</b>
	Consolidated Budget Website	✓	✓	✓
	Provides Debt Tables	✓	✓	✓
	Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗
	Discloses Tax Expenditures	✓	✓	✓
3-YEAR AVERAGE <b>B</b>		3-YEAR TREND <b>—</b>		

### KEY

✓	Followed best practice
✗	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; 2018 data also used for 2019.

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