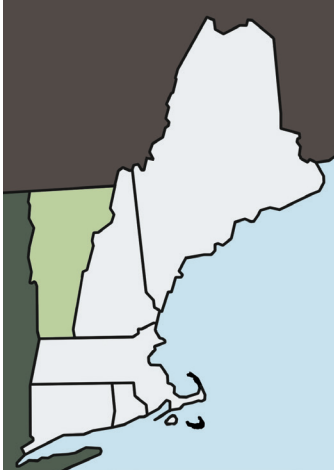# VERMONT Budget Report Card

VERMONT LANDED B AVERAGES from fiscal 2015 through 2019 in four out of five budgetary categories. Its major weakness was reflected in its D in legacy costs, which includes public worker pensions and other postemployment benefits (OPEB), primarily health care.

The mark, the second-lowest possible, stems from Vermont's lack of actuarially determined contributions for OPEB. The program had a net liability for state workers and teachers of $2.2 billion in 2019, a relatively high sum for a small state. While Vermont funded public worker pensions according to actuarial recommendations from 2015 through 2019, the pension funding ratio was 64 percent, 7 percentage points below the total for all states.

One element in each of the other four categories kept Vermont from attaining A averages. The state missed the top mark in reserve funds because it does not tie its budget stabilization fund to revenue volatility, a flaw shared by twenty-nine other states. Its weakness in transparency was an absence of reporting on deferred infrastructure maintenance, something forty-four other states also lack. In budget forecasting, Vermont had no multiyear expenditure forecasts.

The budget maneuvers grade reflected general avoidance of one-time measures to achieve balance, although the state did draw down general fund balances to support recurring expenditures in 2018.

NEW ENGLAND STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

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

NOTE States are grouped by US Census Bureau divisions.

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VERMONT Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND
						'15 '16 '17 '18 '19
CATEGORY GRADE	C	B	B	B	B	
Consensus Revenue Forecasts	✓	✓	✓	✓	✓	
Multiyear Expenditure Forecasts	✗	✗	✗	✗	✗	● ● ● ●
Multiyear Revenue Forecasts	✗	✓	✓	✓	✓	●
Revenue Growth Projections	✓	✓	✓	✓	✓	
5-YEAR AVERAGE B						

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND
						'15 '16 '17 '18 '19
CATEGORY GRADE	B	A	B	B	A	
Deferring Recurring Expenditures	✗	✓	✗	✓	✓	● ●
Revenue and Cost Shifting	✓	✓	✓	✗	✓	● ● ●
Funding Recurring Expenditures with Debt	✓	✓	✓	✓	✓	
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓	
5-YEAR AVERAGE B						

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND
						'15 '16 '17 '18 '19
CATEGORY GRADE	D	D	D	D	D	
Public Employee OPEB Funding	✗	✗	✗	✗	✗	
Public Employee Pension Funding	✓	✓	✓	✓	✓	
Public Employee Pension Funded Ratio*	68%	64%	64%	64%	64%	● ● ● ● ●
5-YEAR AVERAGE D						

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND
						'15 '16 '17 '18 '19
CATEGORY GRADE	B	B	B	B	B	
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓	
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓	● ● ● ● ●
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓	
Reserves Tied to Revenue Volatility	✗	✗	✗	✗	✗	
5-YEAR AVERAGE B						

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND
						'15 '16 '17 '18 '19
CATEGORY GRADE	B	B	B	B	B	
Consolidated Budget Website	✓	✓	✓	✓	✓	
Provides Debt Tables	✓	✓	✓	✓	✓	● ● ● ● ●
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	✗	✗	
Discloses Tax Expenditures	✓	✓	✓	✓	✓	
5-YEAR AVERAGE 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.

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