

RANK
36

VERMONT

SUMMARY

On the basis of its fiscal solvency in five separate categories, Vermont ranks 36th among the US states and Puerto Rico for its fiscal health. On a cash basis, Vermont has between 1.28 and 2.23 times the cash needed to cover short-term liabilities. Revenues exceed expenses by 3 percent, for a surplus of \$269 per capita. On a long-run basis, Vermont has a negative net asset ratio of -0.03, and total liabilities are 38 percent of total assets. Total debt is \$595 million. Unfunded pension liabilities are \$4.48 billion on a guaranteed-to-be-paid basis, and other postemployment benefits (OPEB) are \$1.84 billion. These three liabilities are equal to 23 percent of total state personal income.

2014 TOTAL LONG-TERM OBLIGATIONS

STATE DEBT

| | General obligation bonds | Total primary government debt | State personal income | Ratio of debt to state personal income | Total primary debt per capita |
|------------------|--------------------------|-------------------------------|-----------------------|--|-------------------------------|
| Vermont | \$0.56 billion | \$0.60 billion | \$29.09 billion | 2.0% | \$950 |
| National average | \$6.60 billion | \$13.76 billion | \$288.25 billion | 6.0% | \$2,144 |

PENSION LIABILITY

| | Unfunded pension liability | Funded ratio | Market value of unfunded liability | Market value of funded liability ratio |
|------------------|----------------------------|--------------|------------------------------------|--|
| Vermont | \$1.60 billion | 68% | \$4.48 billion | 45% |
| National average | \$20.46 billion | 74% | \$86.85 billion | 40% |

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

| | Total unfunded OPEB | Funded ratio |
|------------------|---------------------|--------------|
| Vermont | \$1.84 billion | 1% |
| National average | \$11.14 billion | 12% |

1. Alaska
2. Nebraska
3. Wyoming
4. North Dakota
5. South Dakota
6. Florida
7. Utah
8. Oklahoma
9. Tennessee
10. Montana
11. Ohio
12. Idaho
13. Nevada
14. Missouri
15. Alabama
16. Texas
17. Indiana
18. South Carolina
19. Virginia
20. New Hampshire
21. North Carolina
22. Colorado
23. Georgia
24. Washington
25. Iowa
26. Minnesota
27. Kansas
28. Arkansas
29. Wisconsin
30. Oregon
31. Arizona
32. Mississippi
33. Louisiana
34. New Mexico
35. Michigan
- 36. Vermont**
37. Rhode Island
38. Delaware
39. Pennsylvania
40. West Virginia
41. Maryland
42. New York
43. Maine
44. California
45. Hawaii
46. Kentucky
47. Illinois
48. New Jersey
49. Massachusetts
50. Connecticut
51. Puerto Rico

UNDERLYING RATIOS

| | Cash ratio | Quick ratio | Current ratio | Operating ratio | Surplus (or deficit) per capita | Net asset ratio | Long-term liability ratio | Long-term liability per capita |
|------------------|------------|-------------|---------------|-----------------|---------------------------------|-----------------|---------------------------|--------------------------------|
| Vermont | 1.28 | 2.19 | 2.23 | 1.03 | \$269 | -0.03 | 0.38 | \$2,335 |
| National average | 2.40 | 3.18 | 3.54 | 1.06 | \$448 | -0.03 | 0.47 | \$3,069 |

| | Tax-to-income ratio | Revenue-to-income ratio | Expenses-to-income ratio | Pension-to-income ratio | OPEB-to-income ratio | Primary debt-to-income ratio |
|------------------|---------------------|-------------------------|--------------------------|-------------------------|----------------------|------------------------------|
| Vermont | 0.10 | 0.19 | 0.19 | 0.15 | 0.06 | 0.02 |
| National average | 0.06 | 0.14 | 0.13 | 0.31 | 0.03 | 0.06 |

KEY TERMS

- **Cash solvency** measures whether a state has enough cash to cover its short-term bills, which include accounts payable, vouchers, warrants, and short-term debt. (Vermont ranks 30th.)
- **Budget solvency** measures whether a state can cover its fiscal year spending using current revenues. Did it run a shortfall during the year? (Vermont ranks 27th.)
- **Long-run solvency** measures whether a state has a hedge against large long-term liabilities. Are enough assets available to cushion the state from potential shocks or long-term fiscal risks? (Vermont ranks 34th.)
- **Service-level solvency** measures how high taxes, revenues, and spending are when compared to state personal income. Do states have enough “fiscal slack”? If spending commitments demand more revenues, are states in a good position to increase taxes without harming the economy? Is spending high or low relative to the tax base? (Vermont ranks 47th.)
- **Trust fund solvency** measures how much debt a state has. How large are unfunded pension liabilities, OPEB liabilities, and state debt compared to the state personal income? (Vermont ranks 6th.)

For a complete explanation of the methodology used to calculate Vermont’s fiscal health rankings, see Eileen Norcross and Olivia Gonzalez, “Ranking the States by Fiscal Condition,” 2016 ed. (Mercatus Research, Mercatus Center at George Mason University, Arlington, VA, June 2016).