



COMMONWEALTH of VIRGINIA

JODY M. WAGNER
TREASURER OF VIRGINIA

Department of the Treasury

September 30, 2005

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The Honorable Mark R. Warner
Governor of Virginia
Office of the Governor
State Capitol, Third Floor
Richmond, Virginia 23219

The Honorable John H. Chichester
Chairman
Senate Finance Committee
Post Office Box 904
Fredericksburg, Virginia 22404

The Honorable Vincent F. Callahan, Jr.
Chairman
House Appropriations Committee
Post Office Box 1173
McLean, Virginia 22101

Dear Governor Warner and Messrs. Chairmen:

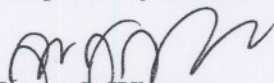
It is my pleasure to submit this report pursuant to §22.1-167.2 (D) of the *Code of Virginia* as enacted in 1998 (enclosed), concerning certain bonds of the Virginia Public School Authority (VPSA) secured by a sum sufficient appropriation as provided in Item 158(D)(1)(a) of the 2005 Appropriation Act.

The 1997 Bond Resolution adopted on October 23, 1997, by the VPSA Board of Commissioners, utilized the additional security provided by the sum sufficient appropriation to achieve greater flexibility for localities participating in pooled bond sales and higher credit ratings for the VPSA's pooled bonds from the three major credit rating agencies.

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During the fiscal year ended June 30, 2005, the VPSA issued five additional series of school financing bonds under the 1997 Resolution. Accordingly, as of June 30, 2005, the total amount of the Authority's outstanding bonds as described in §22.1-167.2(D) of the Code of Virginia was \$2,366,360,000.

Respectfully submitted,



James J. Wheaton
Chairman, Virginia Public School Authority

Enclosure

c: The Honorable John M. Bennett
Secretary of Finance
Commissioners, Virginia Public School Authority

§ 22.1-167.2. Security for payment; appropriations.

A. The Authority is authorized to issue bonds to finance and refinance acquisition of bonds, notes and other obligations of counties, cities and towns (local school bonds) issued for the purpose of financing and refinancing capital projects for school purposes and to pledge to the bonds all or any combination of the following sources: (i) payments of principal and interest on the local school bonds purchased by the Authority; (ii) payments to the localities by the Commonwealth as contemplated under the provisions of § 15.2-2659 (state aid intercept) of the Code of Virginia; (iii) funds in the Literary Fund available and appropriated for such purpose; and (iv) any funds in the general fund of the Commonwealth appropriated for such purpose.

B. The Governor's Budget Bill presented each year to the General Assembly shall include an appropriation to the Authority of a sum sufficient first, from funds in the Literary Fund available for such purpose, and second, from the general fund of the Commonwealth, to cure any shortfall in pledged primary revenues on any debt service payment date on the bonds of the Authority described by this section. A shortfall in pledged primary revenues shall exist when the sum of the payments made on local school bonds due on or before such date and any proceeds derived from the implementation of § 15.2-2659 (state aid intercept) of the Code of Virginia as of such date is less than required to pay the debt service due on the Authority's bonds on such date.

C. The Literary Fund and the general fund of the Commonwealth shall be subrogated to the rights of the Authority to the extent of any such funds paid to the Authority and shall be entitled to enforce the Authority's remedies with respect to the local school bonds and to full recovery of the amount of such shortfall.

D. On or before September 30 of each year, the Authority shall submit to the Governor and the chairmen of the House Appropriations Committee and the Senate Finance Committee a report as of the end of the prior fiscal year detailing the total amount of the Authority's outstanding bonds secured by appropriations as described in subsection B. The report shall also describe any instances where any such appropriation has been used.

(1998, cc. 4, 900.)