Commonwealth of Virginia

Debt Capacity Advisory Committee

Report to the Governor and General Assembly

December 17, 2008

COMMONWEALTH of VIRGINIA

Office of the Governor

Richard D. Brown
Secretary of Finance

P.O. Box 1475
Richmond, Virginia 23218

December 18, 2008

The Honorable Timothy M. Kaine
Governor of Virginia
Patrick Henry Building, 3rd Floor
Richmond, Virginia 23219

The Honorable Bruce F. Jamerson
Clerk of the House of Delegates
Virginia House of Delegates
State Capital, Room 303
Richmond, Virginia 23219

The Honorable Susan Clarke Schaar
Clerk of the Senate
Senate of Virginia
State Capital Building, 3rd Floor
Richmond, Virginia 23219

Dear Governor Kaine, Mr. Jamerson, and Ms. Schaar:

The Debt Capacity Advisory Committee (the "Committee") is required to annually review the size and condition of the Commonwealth's tax-supported debt and submit to the Governor and General Assembly an estimate of the maximum amount of new tax-supported debt that prudently may be authorized for the next two years. In addition, the Committee is required to review annually the Commonwealth's moral obligation debt and other debt for which the Commonwealth has a contingent or limited liability. We are pleased to present our annual report.

The Debt Capacity Model

In this report, we reaffirm our use of the Debt Capacity Model as the means of calculating the Commonwealth's tax-supported debt affordability. The Model calculates the maximum amount of incremental debt that may prudently be issued by the Commonwealth over the next ten years, while maintaining an additional two years of debt issuance capacity as a reserve beyond the end of the ten-year issuance period. The reserve is used as a hedge against variations in other assumptions used in the Model, such as interest rates and revenue growth. The Model uses the ratio of tax-supported debt service as a percentage of revenues as its base calculation. The ratio of debt service as a percentage of revenues should be no greater than 5%. In our view, 5% is the

In our view, 5% is the maximum ratio consistent with maintaining the premier credit ratings on the Commonwealth's debt. The Model incorporates the official revenue estimates contained in the Governor's proposed budget submitted December 18, 2008. The Debt Capacity Model is attached as Exhibit A.

The concept of debt capacity management and the 5% maximum ratio were introduced in *An Assessment of Debt Management in Virginia*, a report issued by the Secretary of Finance in December 1990. The Debt Capacity Advisory Committee adopted the 5% maximum measure in 1991 and has fully endorsed this ratio every year since that time. The credit ratings assigned to the Commonwealth's obligations are, in part, based upon its sound debt management policies. Moody's Investors Service, in a report issued this fall, specifically referenced the Commonwealth's conservative policies, as follows:

> "The highest rating reflects the Commonwealth's long history of proactive and conservative fiscal practices, an economy that has slowed but still outperforms the nation, the significant fiscal challenges the commonwealth faces amid a weaker economy, and its good management of a complex debt structure. The rating outlook is stable." *Moody's Investors Service, New Issue report, November 7, 2008.)*

Moral Obligation or Contingent Liability Debt and Other Findings

The Committee also reviewed outstanding moral obligation debt and other debt for which the Commonwealth has a contingent or limited liability. The Committee reviewed the types of programs, statutory caps, outstanding amounts, and other financial data for the two issuers that currently have debt outstanding that is backed by the Commonwealth's moral obligation pledge. The two issuers are the Virginia Housing Development Authority and the Virginia Resources Authority. Each of these issuers' outstanding moral obligation debt is currently within its statutory limit. The Virginia Resources Authority intends to request additional moral obligation debt authorization in the 2009 Session as discussed below.

The Virginia Resources Authority is authorized to issue up to $900 million of moral obligation debt. The Authority issues moral obligation bonds under its programs to provide low-cost financing to localities for water, wastewater, solid waste, storm water, public safety, brownfields remediation, public transportation and airport projects. The Authority has experienced unprecedented demand for its financing programs due to changes in market conditions that have restricted market access for local governments. The Authority plans to request additional moral obligation debt authorization in the 2009 Session that would increase the statutory limit from $900 million to $1.5 billion.

The Virginia Housing Development Authority established a new multi-family housing program in 1999 that does not carry the Commonwealth's moral obligation pledge. Since 1999 that authority has issued all of its multi-family housing bonds under that program and discontinued the issuance of moral obligation bonds.

The Virginia Public School Authority is the only issuer of non-tax-supported debt that utilizes a sum sufficient appropriation as an additional credit enhancement. This represents a contingent liability for the Commonwealth. The Virginia Public School Authority issued its first series of bonds under this structure in 1997. In 2001, its Equipment Technology Notes were brought under this structure. The bonds and notes are rated "double A plus" by each of the three major rating agencies.

Information on the amount of outstanding debt, statutory limits and debt ratings for moral obligation debt and other debt for which the Commonwealth has a contingent or limited liability is shown in Exhibit D. Sensitivity analyses are also included which demonstrate the impact on tax-supported debt capacity resulting from the conversion of moral obligation debt to tax-supported debt. The sensitivity analyses are prepared using worst-case scenarios showing the impact of the conversion of all moral obligation debt. If any such debt were ever converted, however, it would occur on an issue-by-issue basis. Conversion would occur if the General Assembly appropriated funds to replenish a debt service reserve fund shortfall if requested by a moral obligation issuer. For example, an issuer would request that the Governor and General Assembly replenish the debt service reserve fund if, in the event of a default on the underlying revenue stream, the issuer was forced to draw on the debt service reserve fund to pay debt service.

The Committee also reviewed the current and historical debt position of the Commonwealth. Part of this review included other authority debt not supported by taxes. Data included in Exhibit C summarizes information considered by the Committee.

Recommendations

Historically, Virginia has followed a capital budgeting and approval process in which projects and the financing thereof have been approved during the even-year General Assembly Session during which a new biennial budget is adopted. The budget is amended, if necessary, during the odd- or second year. The Committee therefore has provided the following amounts for the current biennium since this report coincides with the 2009 General Assembly Session during which the amended biennial budget for the 2009-10 budget biennium will be considered.

The Committee notes that the period of time between the inception of capital projects and permanent financing can vary greatly, usually spanning several years. Therefore the Committee continues to consider scheduled projected issuance when making its recommendations.

1. Model Results – Tax-Supported Debt Authorization

The Committee believes that based upon the Debt Capacity Model and the Governor's Official Revenue Forecast of December 18, 2008:

- A maximum of $369.99 million of tax-supported debt could prudently be authorized by the 2009 Session of the General Assembly; and

- A maximum of $369.99 million of tax-supported debt could prudently be authorized by the 2010 Session of the General Assembly.

This maximum amount of authorization is above and beyond the tax-supported debt that is currently authorized but unissued. The decrease in debt issuance capacity from the amounts recommended in the February 25, 2008 Report is mainly attributable to significant decrease in projected revenues along with the debt authorizations during the 2008 session of the General Assembly and an increase in interest rates.

The Model results are sensitive to changes in interest rates and revenues. Specifically, a one percent change in general fund revenues in each and every year of the Model solution horizon will change the amount of average debt capacity by approximately $7.70 million. A change in general fund revenues of $100 million in each and every year of the Model solution horizon will produce approximately $5.66 million of incremental average debt capacity change. More detail on the Model's sensitivity to changes in interest rates and revenues can be found in Exhibit B.

The Committee notes that the average interest rates used in the Debt Capacity Model have increased by 20 basis points since the February 25, 2008 Report. The Bond Buyer 11 Index is the benchmark index used in the Model. The Model uses average of the Bond Buyer 11 Index for the last eight quarters as its base interest rate for authorized but unissued general obligation bonds and adds an additional fifty basis points for non-general obligation bonds. The Committee notes that the effect of interest rate movements over any one year is mitigated since the base rate is an average of the last eight quarters.

The Committee recognizes that it cannot predict the future level of interest rates or the pace of revenue growth and recognizes the sensitivity of the Model results to such factors. Attached as Exhibit B are sensitivity analyses that demonstrate the impact on the Model of changes in external factors such as interest rates and revenues, or internal factors such as excess capacity. The Model calculates the maximum amount of tax-supported debt that could be prudently authorized and issued based on the assumptions incorporated in the Model. It does not constitute a recommendation of the Committee that such amount actually be authorized. In the opinion of the Committee, debt issuance in excess of the recommended amounts could result in the Commonwealth exceeding the maximum ratio of 5%. See Exhibit C for further narrative.

The Committee makes no recommendations as to which projects, if any, should be chosen for debt financing or how they should be prioritized. These decisions are most appropriately made through the budgetary and legislative processes.

2. Consider Eliminating Authorizations Not Likely to be Issued:

The Committee endorses the efforts of the General Assembly and the Governor to continue to rescind authorizations for projects that are not likely to be used. The Committee recommends that unnecessary authorizations continue to be identified and rescinded, as appropriate.

3. Alternative Financing of State Projects:

We continue to support the use of traditional financing vehicles such as the Virginia Public Building Authority and the Virginia College Building Authority for financing state projects as opposed to capital lease-supported transactions. Certain state projects have been financed in the past using local and special purpose authorities, such as industrial development authorities or redevelopment and regional housing authorities. Due to the structure of such financings, they often result in higher financing costs than if the financing had been completed through an established state program. In such cases, the Commonwealth has limited control of the process, however such bonds are normally considered tax-supported debt and are included in the Model because the Commonwealth is responsible for debt service payments over the life of the bonds.

4. Moral Obligation and Contingent Liability Debt:

We make no specific recommendation on the programs or levels of the statutory caps for the two issuers currently utilizing the moral obligation pledge of the Commonwealth. If the Virginia Resources Authority is successful in obtaining an increase in their moral obligation cap, the proposed increase would not negatively impact the Commonwealth's general obligation credit ratings.

Conclusion

The Commonwealth of Virginia has become an acknowledged leader among states in the area of debt capacity management, and is repeatedly held out as an example of how the process should work. It has been our pleasure to advise you on the concepts of debt affordability and debt capacity management. We trust this report and our recommendations are useful as we move forward together into the 2009 Session of the General Assembly.

Sincerely,

Richard D. Brown, Chairman

/s/Walter W. Craigie
Walter W. Craigie

/s/William K. Butler, II
William K. Butler, II

/s/J. Braxton Powell
J. Braxton Powell

/s/Philip A. Leone
Philip A. Leone

/s/Walter J. Kucharski
Walter J. Kucharski

/s/Daniel S. Timberlake
Daniel S. Timberlake

Attachments

Exhibit A

The Debt Capacity Model

Commonwealth Debt

- Rating agencies view control of tax-supported debt as one of four key factors affecting credit quality.

  - control of debt burden
  - economic vitality and diversity
  - fiscal performance and flexibility
  - administrative capabilities of government

- Virginia's goal is to maintain AAA/Aaa/AAA ratings for General Obligation debt.

  - Commonwealth's "AAA" rating reaffirmed by Fitch Ratings, Moody's and Standard & Poor's (November 2008)

- Definition of tax-supported debt.

  - debt service payments made or ultimately pledged to be made from general government funds
  - corresponds with rating agency definition
  - contrast with debt not supported by taxes such as moral obligation debt

<u>Debt Capacity Model</u>

General Observations and Assumptions

- Virginia's Debt Affordability Model:
  - Debt Affordability Measure

    $$\frac{\text{Tax-Supported Debt Service}}{\text{Revenues}} \leq 5\%$$
  - 10-year issuance period
  - Incorporates currently authorized but unissued debt
  - Blended revenue growth rate
  - Term and structure:
    - 20-year bonds
    - Assumed interest rate of 4.54% for 9(b) and 9(c) General Obligation debt. 9(d) debt has an assumed interest rate of 5.04%.
    - Level debt service (except 9(b) debt)
    - 9(b) General Obligation debt is amortized on a level principal basis
  - Actual debt service of all issued tax-supported debt, including capital leases, installment purchases and regional jail reimbursement agreements (see page A-3 for liability inclusion criteria).
  - Blended Revenues:
    - General fund revenues and state revenues in Transportation Trust Fund, including transfers of ABC profits. **Lottery profits are no longer recognized as a general fund transfer.** For purposes of the Model, 9(c) revenues and debt service of self-supporting projects are offset and have a neutral impact on debt capacity.
  - Interest Rates:
    - Assumed issuance of authorized but unissued tax-supported debt and associated debt service, computed using estimated interest rates based on the average of the last eight quarters of The Bond Buyer 11 Bond Index for general obligation debt 9(b) and 9(c), and a 50 basis point higher rate for 9(d) debt.

Debt Capacity Model
General Observations and Assumptions

Debt Capacity Advisory Committee
Liabilities included in the Debt Capacity Model

1) Outstanding tax-supported debt as determined by the DCAC.

   - General obligation bonds (Section 9(a), 9(b), and 9(c)).
   - Obligations issued by the Commonwealth Transportation Board or Virginia Port Authority that are secured, in whole or in part, by the Transportation Trust Fund.
   - Obligations issued by the Virginia Public Building Authority and the Virginia College Building Authority secured, in whole or in part, by general fund appropriations.
   - Obligations payable under regional jail Reimbursement Agreements between the Treasury Board and localities, regional jail authorities or other combination of localities.
   - Capital leases (80% of total of first year amounts in Commonwealth CAFR for both primary government and component units).
   - Installment purchases (80% of total of first year amounts in Commonwealth CAFR for both primary government and component units).
   - Obligations for which the debt service is paid from payments received from the Commonwealth on a capital lease.

2) Authorized but unissued tax-supported debt as determined by the DCAC.

   - The issuance of obligations to fund a project(s) must be authorized by an Act of the General Assembly (either an Act specifically authorizing the issuance of debt, or Appropriation Act language) with no contingency for subsequent General Assembly approval. If obligations are authorized but will require further action by the General Assembly before they can be issued, then such obligations will not be included in the Model. The practical application of this rule will be that if debt can be issued for a project without any further action on the part of the General Assembly, such debt will be considered as authorized for issuance.

<u>Debt Capacity Model</u>
General Observations and Assumptions

Debt Capacity Advisory Committee
Liabilities included in the Debt Capacity Model

3) That portion of outstanding moral obligation debt for which the underlying debt service reserve fund has been utilized to pay all or a portion of debt service and for which the General Assembly has appropriated funds to replenish all or a portion of such debt service reserve fund as requested by the moral obligation issuer.

  - In the event that a moral obligation issuer has experienced an event of a default on the underlying revenue stream and such issuer has been forced to draw on the debt service reserve fund to pay debt service, the Committee shall immediately meet and review the circumstances surrounding such event and report its findings to the Governor and the General Assembly.

  - In the event this section is invoked, the Committee's Report to the Governor and General Assembly shall include, one Model scenario showing annual tax-supported debt capacity with inclusion of the moral obligation debt (or portion thereof) in question.

  - Inclusion of the debt in the Model is in no way intended to bind the Governor or General Assembly to make future appropriations to replenish future draws on such debt service reserve fund(s).

  - The subject debt will be removed from the Model once the General Assembly has not appropriated funds to replenish such debt service reserve fund(s).

Debt Capacity Model

Currently Authorized Tax-Supported Debt Issuance Assumptions

(Dollars in Millions)

	9(b)	9(c) Higher Education	VPBA	VCBA 21st Century Equipment	VCBA 21st Century Projects	9(d) Transportation	NVTD Transportation	Capital Leases	VPA	Total
Authorized & Unissued as of December 31, 2008	$ 145.0	$ 197.8	$1,150.2	$ 116.9	$ 1,609.0	$ 3,180.0	$ 97.1	$ 34.2	$ 155.0	$ 6,685.2
Assumed Issued[1]:										
FY 2009	-		-	-		-	-	-	-	-
FY 2010	-	65.9	313.6	58.1	300.0	569.9	-	-	-	1,307.6
FY 2011	145.0	65.9	285.5	58.8	400.0	241.9	97.1	-	-	1,294.2
FY 2012	-	65.9	203.7	-	400.0	330.0	-		155.0	1,154.6
FY 2013-18	-		347.4	-	509.0	1,205.4 [2]	-	34.2		2,096.0
Total	145.0	197.8	1,150.2	116.9	1,609.0	2,347.3	97.1	34.2	155.0	5,852.4
Authorized Debt Assumed Unissued	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

[1] Debt is assumed issued when the first full year of debt service is paid.

[2] $832.7 million of remaining CTB revenue bonds to be issued in & after 2035 when Capital Projects Revenue Capacity is again available.

Debt Capacity Model

DEBT CAPACITY MODEL

(Dollars in Millions)

December 17, 2008

Debt Capacity Maximum Ratio

Debt Service as a % of Revenue = **5.0%**

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]
Fiscal Year	**Blended Revenues**	**Base Capacity to Pay Debt Service**	**9(c) Revenue Equal to Debt Service**	**Total Capacity to Pay Debt Service**	**Annual Payments for Debt Service on Debt Issued**	**Annual Payments for Debt Service on All Planned Debt Issuances**	**Actual & Projected Debt Service as a % of Revenues**	**Net Capacity to Pay Debt Service**	**Amount of Additional Debt that may Be Issued**	**Debt Service on Amount of Additional Debt that may Be Issued**	**Remaining Capacity to Pay Debt Service**	**Total Debt Service as a % of Revenues**
Actual 2002	11,717.85	585.89	67.36	653.25	413.58	N/A	2.95%	239.67	N/A	N/A	239.67	2.95%
Actual 2003	12,102.51	605.13	68.41	673.53	430.60	N/A	2.99%	242.93	N/A	N/A	242.93	2.99%
Actual 2004	13,169.32	658.47	65.68	724.14	439.23	N/A	2.84%	284.91	N/A	N/A	284.91	2.84%
Actual 2005	15,523.45	776.17	61.77	837.94	446.27	N/A	2.48%	391.67	N/A	N/A	391.67	2.48%
Actual 2006	16,520.10	826.01	61.83	887.84	480.84	N/A	2.54%	407.00	N/A	N/A	407.00	2.54%
Actual 2007	17,282.60	864.13	64.34	928.47	546.67	N/A	2.79%	381.80	N/A	N/A	381.80	2.79%
Actual 2008	17,534.60	876.73	69.42	946.15	602.37	N/A	3.04%	343.78	**N/A**	0.000	343.78	3.04%
2009	16,371.30	818.57	63.40	881.96	645.64	67.98	3.97%	168.35	**0.00**	0.000	168.35	3.97%
2010	16,860.10	843.01	68.34	911.35	645.50	135.50	4.23%	130.35	**369.99**	29.801	100.55	4.40%
2011	17,611.00	880.55	69.00	949.55	616.06	230.09	4.41%	103.41	**369.99**	59.602	43.81	4.75%
2012	18,436.90	921.85	63.84	985.68	571.68	323.68	4.51%	90.33	**369.99**	89.402	0.92	4.99%
2013	19,306.30	965.32	62.78	1,028.10	548.14	381.83	4.49%	98.12	**96.24**	97.154	0.97	4.99%
2014	20,171.40	1,008.57	56.35	1,064.92	511.16	431.21	4.39%	122.56	**302.84**	121.546	1.01	4.99%
2015	21,052.81	1,052.64	56.03	1,108.67	497.27	444.02	4.20%	167.38	**493.73**	161.314	6.07	4.97%
2016	21,978.91	1,098.95	53.76	1,152.70	465.16	459.57	3.96%	227.98	**493.73**	201.081	26.90	4.88%
2017	22,954.82	1,147.74	50.95	1,198.69	423.68	471.16	3.68%	303.86	**781.77**	264.049	39.81	4.83%
2018	23,974.95	1,198.75	45.92	1,244.66	383.39	468.85	3.36%	392.42	**781.77**	327.017	65.40	4.73%

10 Year Average:	$406.01	Excess Capacity:	$812.01

2.0000

[1] Revenues include the actual fiscal year revenues per the Annual Reports of the Comptroller (2002-2005), Standard General Fund Actual and Forecasts November (Dated-December 4, 2008) Standard Forecast of the General Fund, including Virginia Health Care Fund revenue as permitted by Section 32.1-366 of the Code of Virginia and transfers from the Alcoholic Beverage Control Board, dated December 4, 2008, and certain revenues from the Transportation Trust Fund official revenue forecasts as of December 4, 2008.

[2] Base Capacity to Pay Debt Service equals 5% of the Revenues listed in Column [1].

[3] Self-supporting 9(c) Revenue Equal to 9(c) Debt Service.

[4] Total Capacity to Pay Debt Service equals Column [2] plus Column [3].

[5] Equals the annual payments of principal and interest for all currently outstanding tax-supported debt issued through December 31, 2008.

[6] Equals the annual estimated payments of principal and interest for all currently authorized tax-supported debt planned for issuance within the next ten fiscal years. See Assumed Issuances of Currently Authorized but Unissued Tax-Supported Debt. Also includes debt service for long-term capital leases, installment purchase obligations and regional jail reimbursements.

[7] Equals annual payments for debt service on debt issued and planned debt issuances less 9(c) revenue equal to debt service, divided by Revenues. 9(c) revenues and debt service are treated as offsetting.

[8] Equals the amount of revenue available to pay debt service after principal and interest on all currently outstanding and all planned issuances of tax-supported debt has been paid. Column [4] - Column [5] -Column [6]. 9(c) Revenues and debt service are treated as offsetting.

[9] Equal to annual amount of additional principal that may be issued without violating the parameters of the model.

[10] Equal to annual amount of principal and interest to be paid on Column [9].

[11] Equals Column [8] minus Column [10].

[12] Equals the sum of all debt service payments (less 9(c) debt service) divided by Revenues. (Column [5] + Column [6] + Column [10] - Column 3) / Column [1].

Debt Capacity Model

DEBT CAPACITY MODEL REVENUE DATA
December 2008
(Dollars In Millions)

Fiscal Year	General Fund	Transportation Trust Fund [10]	General Fund Growth	Transportation Trust Fund Growth	ABC Profit Transfer	Lottery Profit Transfer	Total Revenue [7]	Blended Revenue Growth Rate [8]
Actual 1997	8,133.55 (1)	588.08 (3)	11.67% (1)	4.69% (3)	23.80 (1)	343.00 (1)	9,088.43	10.78%
Actual 1998	8,811.04 (1)	603.00 (3)	8.33% (1)	2.54% (3)	20.70 (1)	318.90 (1)	9,753.64	7.32%
Actual 1999	9,737.70 (1)	643.82 (3)	10.52% (1)	6.77% (3)	25.50 (1)	321.90 (1)	10,728.92	10.00%
Actual 2000	10,831.53 (1)	689.78 (3)	11.23% (1)	7.14% (3)	30.20 (1)	324.30 (1)	11,875.81	10.69%
Actual 2001	11,160.73 (1)	753.29 (3)	3.04% (1)	9.21% (3)	28.10 (1)	329.40 (1)	12,271.52	3.33%
Actual 2002	10,575.93 (1)	749.33 (4)	-5.24% (1)	-0.53% (4)	25.40 (1)	367.20 (1)	11,717.85	-4.51%
Actual 2003	10,968.27 (1)	744.94 (4)	3.71% (1)	-0.59% (4)	14.20 (1)	375.10 (1)	12,102.51	3.28%
Actual 2004	11,945.01 (1)	799.70 (4)	8.91% (1)	7.35% (4)	16.80 (1)	407.80 (1)	13,169.32	8.81%
Actual 2005	14,228.15 (1)	846.50 (4)	19.11% (1)	5.85% (4)	24.90 (1)	423.90 (1)	15,523.45	17.88%
Actual 2006	15,123.20 (1)	912.90 (4)	6.29% (2)	7.84% (4)	30.00 (2)	454.00 (2)	16,520.10	6.42%
Actual 2007	15,851.10 (1)	969.00 (4)	4.81% (2)	6.15% (4)	27.60 (2)	434.90 (2)	17,282.60	4.62%
Actual 2008	16,071.70 (2)	968.60 (4)	1.39% (2)	-0.04% (4)	36.10 (2)	458.20 (2)	17,534.60	1.46%
2009	15,293.50 (2)	1,041.20 (4)	-4.84% (2)	7.50% (4)	36.60 (2)	0.00 (2)	16,371.30	-6.63%
2010	15,748.20 (2)	1,074.90 (4)	2.97% (2)	3.24% (4)	37.00 (2)	0.00 (2)	16,860.10	2.99%
2011	16,461.20 (2)	1,112.80 (4)	4.53% (2)	3.53% (4)	37.00 (2)	0.00 (2)	17,611.00	4.45%
2012	17,251.70 (2)	1,148.20 (4)	4.80% (2)	3.18% (4)	37.00 (2)	0.00 (2)	18,436.90	4.69%
2013	18,077.40 (2)	1,191.90 (4)	4.79% (2)	3.81% (4)	37.00 (2)	0.00 (2)	19,306.30	4.72%
2014	18,899.10 (2)	1,235.30 (6)	4.55% (2)	3.64% (4)	37.00 (2)	0.00 (2)	20,171.40	4.48%
2015	19,755.80 (2)	1,260.01 (6)	4.53% (5)	2.00% (6)	37.00 (2)	0.00 (2)	21,052.81	4.37%
2016	20,656.70 (2)	1,285.21 (6)	4.56% (5)	2.00% (6)	37.00 (2)	0.00 (2)	21,978.91	8.96%
2017	21,606.91 (5)	1,310.91 (6)	4.60% (5)	2.00% (6)	37.00 (9)	0.00 (2)	22,954.82	9.03%
2018	22,600.83 (5)	1,337.13 (6)	4.60% (5)	2.00% (6)	37.00 (9)	0.00 (2)	23,974.95	4.44%

(1) Annual Reports of the Comptroller, FY 1997-2005. December Standard General Fund Actual and Forecast for FY 2006-2007
(2) The November Standard General Fund Forecast for FY 2008-2016, dated December 4, 2008, including Virginia Health Care Fund revenue as permitted by Section 32.1-366 of the Code of Virginia, per December Standard Forecast.
(3) Department of Motor Vehicles.
(4) Department of Taxation.
(5) Flat growth rate of 4.60% for years 2017-2018, per Department of Taxation on December 4, 2008.
(6) Flat growth rate of 2.00% for years 2015-2018, per Department of Taxation on December 4, 2008.
(7) Total Revenue = GF + TTF + ABC.
(8) Blended Revenue Growth Rate = (Current FY Total Revenue / Prior FY Total Revenue) - 1.
(9) FY 2017 - 2018 based on FY 2009 - 2016 Forecasts per November Standard General Fund Forecast, dated December 4, 2008.
(10) Does not include Highway Maintenance and Operating Fund, Federal Grants and Contracts or Toll Revenues.

Debt Capacity Model

Annual Debt Service Requirements and Other Long-Term Obligations
Outstanding As of June 30, 2008 Plus Fiscal Year 2009 Issuance Through December 31, 2008*
(Dollars in Thousands)

Fiscal Year Ending June 30	General Obligation Debt Sections 9(a), 9(b) and 9(c)	Other Tax-Supported Debt Section 9(d)	Capital Lease and Installment Purchases	Regional Jail Reimbursements	Debt Service on Planned Issuances	Debt Service on Unallocated Debt Capacity	GRAND TOTAL
2009	192,064	453,572	50,756	2,634		-	699,025
2010	187,683	457,819	50,756	2,633	82,108	29,801	810,800
2011	179,893	436,164	50,756	2,636	176,695	59,602	905,746
2012	164,005	407,676	50,756	2,636	270,284	89,402	984,760
2013	159,262	388,879	50,756	2,637	328,442	97,154	1,027,129
2014	144,375	366,785	50,756	1,902	378,550	121,546	1,063,915
2015	135,796	361,477	50,756	-	393,261	161,314	1,102,604
2016	122,874	342,285	50,756	-	408,809	201,081	1,125,806
2017	106,064	317,612	50,756	-	420,405	264,049	1,158,886
2018	95,619	287,772	50,756	-	418,097	327,017	1,179,260
TOTAL	$ 1,487,634	$ 3,820,042	$ 507,557	$ 15,077	$ 2,876,653	$ 1,350,966	$10,057,930

* Preliminary and unaudited

The Debt Capacity Model

Parameters of the Model

(1) **Blended Revenues** include all general fund revenues (exclusive of transfers), ABC profits transferred to the general fund and state tax revenues in the Transportation Trust Fund. **Lottery profits are no longer included as a general fund transfer.**

(2) **Base Capacity to Pay Debt Service** is calculated as the product of the Debt Capacity Maximum Ratio and Revenues. [Column 2 = Column 1 x .05]

(3) **9(c) Revenues** represents 9(c) revenue equal to debt service on outstanding 9(c) debt.

(4) **Total Capacity to Pay Debt Service** is calculated as the Base Capacity plus 9(c) revenues equivalent to 9(c) debt service. It represents the maximum level of debt service allowed given the 5% debt service/revenues ratio. [Column 4 = Column 1 x 5%+ Column 3]

(5) **Annual Payments for Debt Service on Debt Issued** is actual debt service on all tax-supported debt outstanding at the end of the most recent fiscal year and on any issuance to date since fiscal year end.

(6) **Annual Payments for Debt Service on All Planned Debt Issuances** is the estimated amount of debt service for currently authorized and unissued tax-supported debt assumed to be issued within the ten-year period.

The Debt Capacity Model (continued)

Parameters of the Model

(7) **Actual and Projected Debt Service as a % of Revenues** is the sum of Annual Payments for Debt Service on Debt Issued and Annual Payments for Debt Service on All Planned Debt Issuances less 9(c) debt service equal to revenue, divided by Revenues. 9(c) Revenues and 9(c) Debt Service are treated as offsetting.

(8) **Net Capacity to Pay Debt Service** is Total Capacity to Pay Debt Service less Annual Payments for Debt Service on Debt Issued and Annual Payments for Debt Service on All Planned Debt Issuances. [Column 8= 4-5-6]

(9) **Amount of Additional Debt that May Be Issued** is the amount of additional tax-supported debt (above and beyond that which is currently authorized but unissued) that may be issued in any given year without exceeding Overall Capacity to Pay Debt Service.

(10) **Debt Service on the Amount of Additional Debt that May Be Issued** is the estimated amount of debt service for the Additional Debt that may be Authorized and Issued.

(11) **Remaining Capacity to Pay Debt Service** is Net Capacity to Pay Debt Service less Debt Service on the Amount of Additional Debt that may be Authorized and Issued. [Column 11=8-10]

(12) **Total Debt Service as a % of Revenues** is the sum of Annual Payments for Debt Service on Debt Issued, Annual Payments for Debt Service on All Planned Debt Issuances and Debt Service on the Amount of Additional Debt that may be Authorized and Issued, divided by Revenues and 9(c) Revenues.

The Debt Capacity Model (continued)

Parameters of the Model

- Model solves for annual capacity, above and beyond authorized amounts assumed issued for the next ten fiscal years at the 5% debt service/revenues level over a ten-year period.

  $369.99 million is the issuance capacity through 2012, declining to $96.24 million in 2013 as the debt service/revenue ratio rises to the maximum 4.99%. Capacity rises to $302.84 million in 2014, $493.73 million in 2015-2016, and $781.77 million in the final two years, for an average of $406.01 million over the ten-year model period.

  Under this scenario, projected issuance never reaches 5% capacity and two years excess capacity is maintained at end of ten-year period.

Exhibit B

The Debt Capacity Model
Sensitivity Analysis

The Debt Capacity Model Sensitivity Analysis

Since the model resulted in a non-level solution over the 10-year period, sensitivities have been presented based on their impact to the 10-year average.

Excess Capacity Sensitivity

- Model solution provides for **two years of excess capacity** remaining at end of the ten-year Model period which results in average debt capacity of $406.01 million over the model period.

- If the Model solution is altered to reduce the two years of excess capacity to **one year of excess capacity**, the average debt capacity of $442.91 is produced.

- If the Model solution is altered to reduce the two years of excess capacity to **no excess capacity**, the average debt capacity of $487.20 is produced.

The Debt Capacity Model Sensitivity Analysis

Revenue Sensitivity

- If the Model solution is altered to increase or decrease General Fund revenues, the following incremental average debt capacity changes are produced:

For each change of $100 million in each and every year	**$ 5.66 million**
For each 1% change of revenues in each and every year	**$ 7.70 million**

Interest Rate Sensitivity

- If the Model solution is altered to change interest rates, the following average debt capacity figures are produced:

Add 100 basis points to base rate	**$354.41 million**
Subtract 100 basis points from base rate	**$464.65 million**

Exhibit C

Background Information

Background

Creation of the Debt Capacity Advisory Committee was recommended in *An Assessment of Debt Management in Virginia*, December 1990. The Committee was originally created in September 1991, by Executive Order #38. The Committee was subsequently codified under Chapter 43 of the 1994 Virginia Acts of Assembly, as amended.

The Committee's mandate is to annually review the size and condition of the Commonwealth's tax-supported debt and submit to the Governor and the General Assembly before January 1, an estimate of the maximum amount of new tax-supported debt that prudently may be authorized for the next biennium (Section 2.2-2714 Code of Virginia). This estimate is advisory and in no way binds the Governor or the General Assembly.

In developing its annual estimate and in preparing its annual report, the Committee shall, at a minimum, consider:

- the amount of tax-supported debt that, during the next fiscal year and annually for the following nine fiscal years, will be outstanding and the amount of tax-supported debt which has been authorized but not yet issued;
- a projected schedule of affordable, state tax-supported debt authorizations for the next biennium;
- projected debt service requirements during the next fiscal year and annually for the following nine fiscal years based on existing outstanding debt, previously authorized but unissued debt, and projected debt authorizations;
- the criteria that recognized bond rating agencies use to judge the quality of Commonwealth bond issues;

Background (Continued)

- any other factor that is relevant to (i) the ability of the Commonwealth to meet its projected debt service requirements for the next two fiscal years; (ii) the ability of the Commonwealth to support additional debt service in the upcoming biennium; (iii) the requirements of the statewide capital plan; and (iv) the interest rate to be borne by, the credit rating on, or any other factor affecting the marketability of such bonds; and
- the effect of authorizations of new tax-supported debt on each of the considerations listed above.

The Committee is also required to annually review the amount and condition of moral obligation debt and other debt for which the Commonwealth has a contingent or limited liability and make recommendations to ensure the prudent use of such obligations.

In addition, the Committee is also required to review the amount and condition of Commonwealth obligations that are not general obligations or moral obligations, and when appropriate, recommend limits on such additional obligations to the Governor and to the General Assembly.

Review of the February 25, 2008 Revised Report

The Committee issued its sixteenth annual report to the Governor and the General Assembly on December 17, 2007. On February 25, 2008, the Committee reconvened and issued a revised annual report based on the February 11, 2008 revised official revenue forecast. The report addressed the following issues:

- Reaffirmed the use of debt service on tax-supported debt and related long-term obligations as a percentage of revenues as the debt affordability measure used in the Model. In addition, reaffirmed a maximum ratio of debt service as a percentage of revenues of 5%.

- Concluded that the Commonwealth could issue $795.74 million of tax-supported debt in each year from fiscal year 2008 through fiscal year 2017 above and beyond tax-supported debt already outstanding or authorized, while still holding the ratio to tax-supported debt service as a percentage of revenues below 5%.

- Recommended that $795.74 million of tax-supported debt could be prudently authorized by the 2008 and 2009 Sessions of the General Assembly, representing a maximum authorized amount of $1,591.48 million for the biennium.

- Noted that the Model's results are sensitive to changes in revenues. Specifically, that a one percent change in general fund revenues in each and every year of the Model's solution horizon will change annual debt capacity by approximately $14.26 million. A change in general fund revenues of $100 million in each and every year of the Model's solution horizon will produce an incremental debt capacity change of approximately $6.89 million annually.

- Made no recommendation as to which projects, if any, should be chosen for debt financing or how they should be prioritized. Reaffirmed that this decision was most appropriately made through the budgetary and legislative processes.

Review of the February 25, 2008 Revised Report (Continued)

- Continued to recommend that Cabinet Secretaries work with the Secretary of Finance to develop a proposal for rescinding unnecessary authorizations for consideration in the 2008 General Assembly Session.

- Continued to recommend the use of financing processes which promote the lowest possible cost of funds to the Commonwealth by by utilizing traditional financing vehicles such as the Virginia Public Building Authority and the Virginia College Building Authority whenever appropriate.

- Reviewed outstanding moral obligation debt and other debt for which the Commonwealth has a contingent or limited liability. The Committee reconfirmed that the Commonwealth is not unique in its use of moral obligation debt, as a number of other state issuers utilize the moral obligation pledge. The Committee continued to review the types of programs, statutory caps, outstanding amounts and other financial data for certain other states that utilize moral obligation bond programs and compared these to Commonwealth issuers. The Committee recommended no changes to existing programs and recommended no change to levels of statutory caps for the three issuers currently utilizing the moral obligation pledge of the Commonwealth.

Commonwealth Debt (per the Comprehensive Annual Financial Report, dollars in thousands)

	As of June 30, 2008	As of June 30, 2007
Tax-Supported Debt		
9(b) General Obligation (1)	935,105	821,563
9(c) General Obligation - Higher Education	487,296	411,842
9(c) General Obligation - Transportation	59,294	69,962
9(c) General Obligation - Parking Facilities	7,590	8,804
Commonwealth Transportation Board	948,507	987,550
Virginia Public Building Authority	1,719,455	1,575,187
Virginia Port Authority	218,596	236,300
Virginia College Building Authority - 21st Century & Equip	899,572	828,488
Innovative Technology Authority	6,270	7,145
Virginia Biotechnology Research Park Authority	47,852	50,200
Transportation Notes Payable	12,325	12,325
Capital Leases	250,250	249,771
Installment Purchases	173,572	186,329
Regional Jail Reimbursement Agreements	9,980	11,693
Compensated Absences (2)	575,271	560,895
Pension Liability (2)	1,237,460	1,105,031
OPEB Liability(2)	119,658	0
Virginia Public Broadcasting Board	8,520	11,070
Virginia Aviation Board	2,195	2,482
Industrial Development Authority Obligations (3)	14,640	19,010
Economic Development Authority Obligations (4)	96,992	100,387
Other Liabilities (2)	20,203	16,472
Total Tax Supported Debt	$ 7,850,603	$ 7,272,506
Debt Not Supported By Taxes (2)		
Moral Obligation / Contingent Liability Debt		
Virginia Resources Authority	681,886	678,600
Virginia Housing Development Authority	361,691	449,350
Virginia Public School Authority - 1997 Resolution	2,829,655	2,793,195
Virginia Public School Authority - Equipment Technology Notes	116,615	172,390
Total Moral Obligation/Contingent Liability Debt	$ 3,989,847	$ 4,093,535
Other Debt Not Supported By Taxes		
9(d) Higher Education	1,147,172	815,247
Virginia College Building Authority - Pooled Bond Program	1,037,650	850,870
Virginia College Building Authority - Private College Program	455,295	471,750
Virginia Public School Authority - Stand Alone Program	52,242	55,087
Virginia Housing Development Authority	6,517,296	5,548,833
Virginia Port Authority	292,982	230,817
Hampton Roads Sanitation District	359,904	143,658
Virginia Biotechnology Research Park Authority	10,015	10,975
Virginia Resources Authority	1,101,055	1,017,988
Federal Highway Reimbursement Anticipation Notes	677,297	800,538
Notes Payable	1,293,035	1,034,475
Bond Anticipation Notes	0	40,000
Other Long-Term Debt	263,671	293,241
Foundations	1,102,712	1,076,230
Pension Liability	18,887	16,966
OPEB Liability	1,551	0
Capital Lease Obligations	2,347	0
Compensated Absences	8,761	8,682
Installment Purchase Obligations	1,735	2,610
Tuition Benefits Payable	1,891,424	1,730,482
Lottery Prices Payable	332,726	313,112
Total Other Debt Not Supported By Taxes	$ 16,567,757	$ 14,461,561

Source: Department of the Treasury and Department of Accounts

(1) Voter approved

(2) **NOT INCLUDED IN DEBT CAPACITY MODEL**

(3) Newport News Industrial Development Authority for Virginia Advanced Shipbuilding & Carrier Integration Center

(4) Fairfax County Economic Development Authority Joint Venture with VDOT for Camp 30 Project

Tax-Supported Debt Issuances in Fiscal Year 2009
As of December 31, 2008

Issuer	Date Issued	Amount
Commonwealth of Virginia General Obligation Bonds, Series 2008B	November 2008	$270,865,000
Virginia Public Building Authority, Public Facilities Bonds Series 2008B	December 2008	$150,000,000

Commonwealth Debt

Outstanding Tax-Supported Debt
As of December 31, 2008*
(Dollars in Thousands)

Tax-Supported Debt Included in the Model [(1)]		
9(b) General Obligation Bonds		$1,060,585
Bonds	$1,060,585	
9(c) Revenue-Supported GOBs		$554,180
Higher Education	$487,296	
Transportation	$59,294	
Parking Facilities	$7,590	
9(d) Obligations		$4,300,380
Transportation Board	$948,507	
Virginia Public Building Authority	1,744,710	
Port Authority	201,206	
Virginia College Building Authority Equipment	113,130	
Virginia College Building Authority 21st Century	677,500	
Bonded Capital Leases and Lease Revenue Bonds(2)	206,859	
Virginia Aviation Board	2,052	
Virginia Public Broadcasting Board	7,190	
Regional Jail Reimbursement Agreements	11,693	
Transportation Notes Payable	12,325	
Capital Leases	201,636	
Installment Purchases	173,572	
Total Tax-Supported Debt Included in Model		$5,915,145
Additional Long-Term Obligations Included in the CAFR		
But Not Included in the Model		
Long-Term Obligations Not Included in Model		$1,952,592
Compensated Absences	$575,271	
Pension Liability	1,237,460	
OPEB Liability	119,658	
Other Long-Term Liabilities	20,203	
Total Tax-Supported Debt (CAFR Plus Subsequent Issuance)		$7,867,737

(1) June 30, 2008 Balance Plus Fiscal Year 2009 issuances and principal payments through December 31, 2008.

(2) Bonded Capital Leases include the capital lease obligations supporting lease revenue bonds for Innovative Technology Authority, Virginia Biotechnology Research Park Authority, Big Stone Gap Redevelopment and Housing Authority, Norfolk Redevelopment and Housing Authority, Newport News Industrial Development Authority, the Town of Jarrett, Virginia, and the Fairfax County Economic Development Authority.

**Preliminary and unaudited. Certain balances are not net of any unamortized discounts/premiums or deferral on debt defeasance.*

Commonwealth Debt

Authorized But Unissued Tax-Supported Debt as of December 31, 2008*

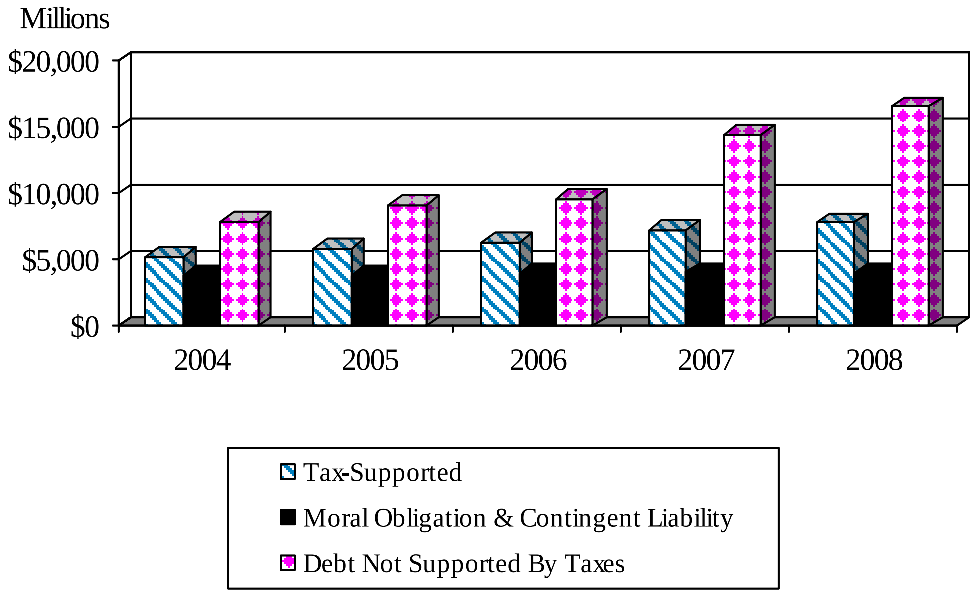
(Dollars in Thousands)

Section 9(b) Debt:		$	145,000
Section 9(c) Debt:			
Higher Education Institutions Bonds		$	197,785
Section (9d) Debt:			
Transportation Revenue Bonds (Northern Virginia Transportation District Program)	97,100		
Transportation Revenue Bonds	3,180,000		
Virginia Public Building Authority - Projects, Jails and Juvenile Detention Facilities	1,150,200		
Virginia College Building Authority - 21st Century Equipment	116,900		
Virginia College Building Authority - 21st Century Projects	1,609,000		
Virginia Port Authority	155,000		
Capital Lease Financings	34,238		
Subtotal 9(d) Debt:		$	6,342,438
Total		$	6,685,223

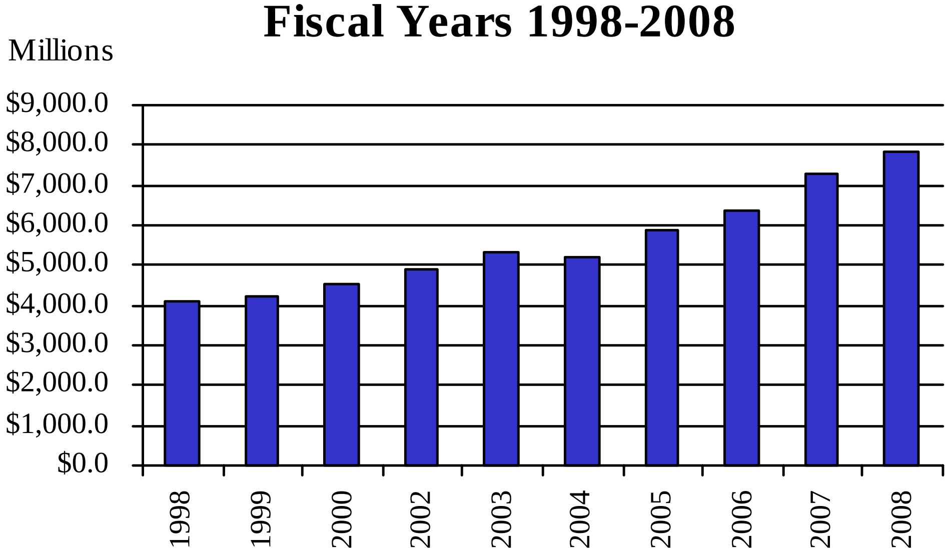
*Preliminary and unaudited

Commonwealth Debt

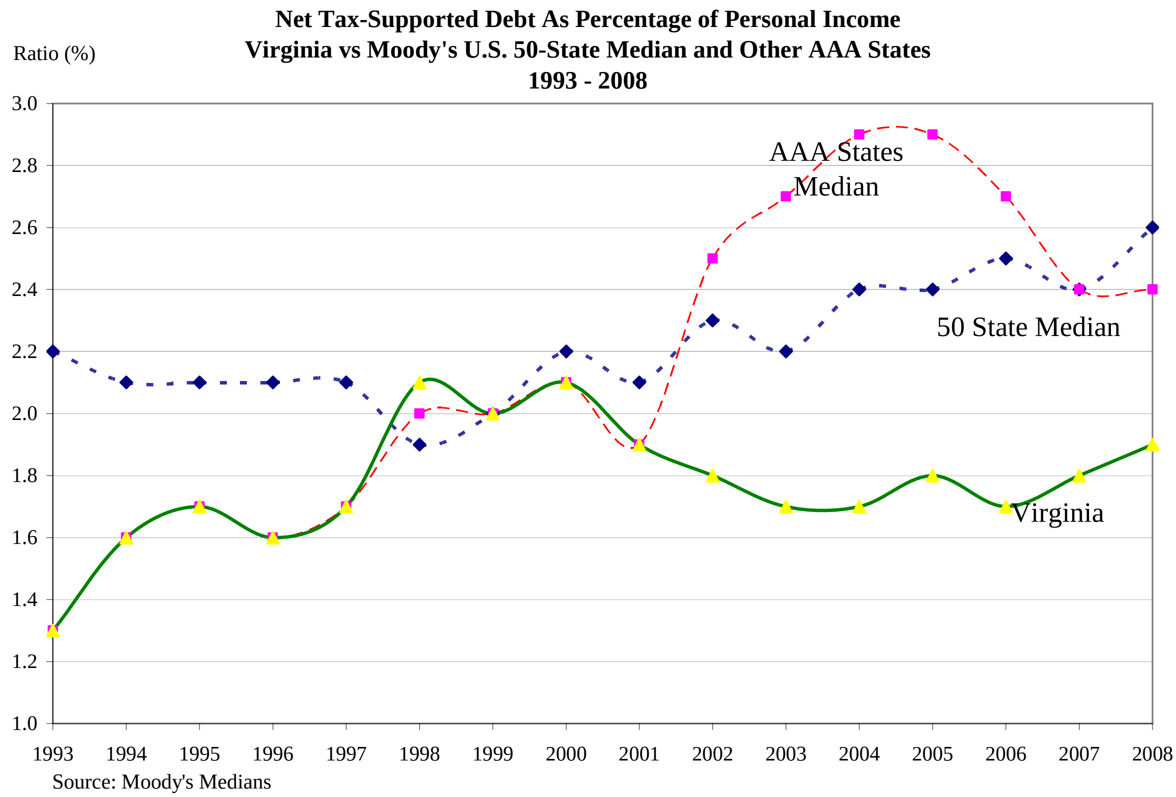
Outstanding Commonwealth Debt
Fiscal Years 2004-2008

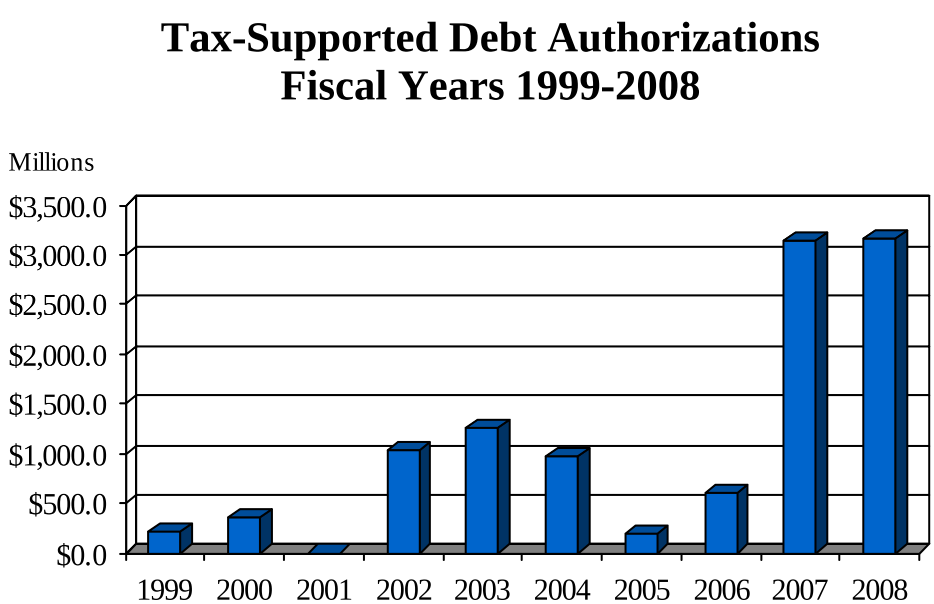


Outstanding Tax-Supported Debt
Fiscal Years 1998-2008



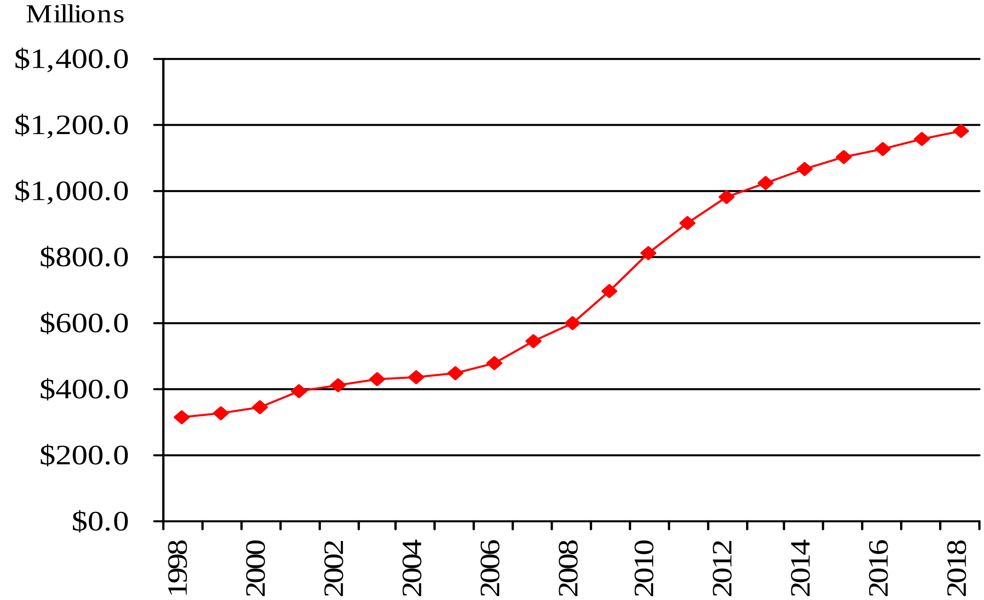
Commonwealth Debt





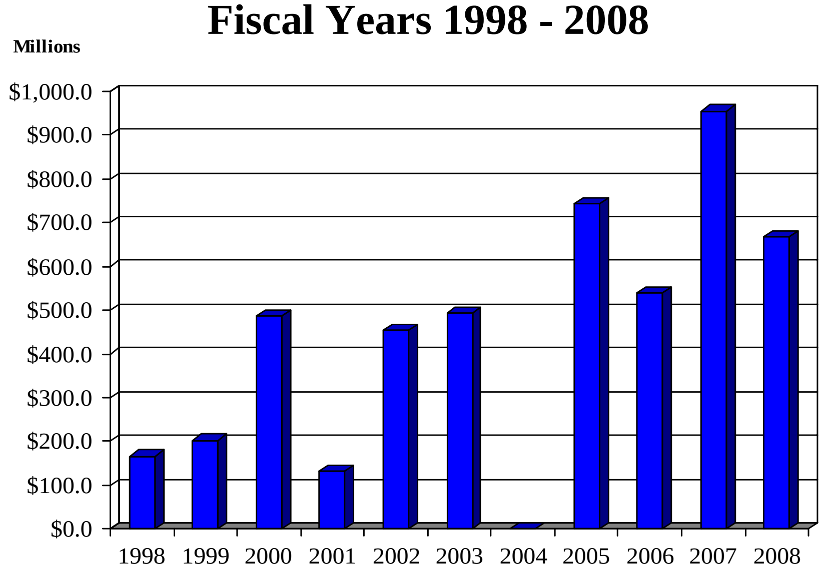
Commonwealth Debt

Tax-Supported Debt Service: Actual and Projected Fiscal Years 1998 – 2018*



* Assumes debt is authorized and issued in future periods in accordance with the Model's maximum recommended annual amounts. Past data includes lease revenue bonds issued by the Virginia Biotech Research Park Authority, Innovative Technology Authority and Newport News Industrial Development Authority. Does not include other capital leases, installment purchase obligations or regional jail reimbursement payments.

Trend in Tax-Supported Debt Issuance Fiscal Years 1998 - 2008



AAA/Aaa/AAA State Debt Burdens
2001 – 2008

AAA/Aaa/AAA STATE DEBT BURDENS FROM 2000-2007
PROVIDED BY MOODY'S INVESTORS SERVICE

Net Tax-Supported Debt per Capita (1)

	2008	2007	2006	2005	2004	2003	2002	2001
Delaware	2002	1998	1845	1,865	1,800	1,599	1,650	1,616
Maryland	1297	1171	1169	1,064	1,077	977	879	819
Georgia	954	916	784	803	827	802	804	679
North Carolina	898	728	-	-	-	-	375	340
VIRGINIA	**764**	**692**	**601**	**589**	**546**	**546**	**566**	**537**
Missouri	675	613	496	449	461	368	347	288
Utah	542	621	707	792	846	682	708	634
Minnesota			-	-	-	-	576	546
South Carolina			-	-	599	587	615	398
AAA Median	898	728	746	798	827	682	615	546
AAA Average	1019	963	934	927	879	794	724	651

(1) Population is based on Census data from one year prior to each respective year's debt analyzed.

Net Tax-Supported Debt as Percent of Personal Income (2)

	2008	2007	2006	2005	2004	2003	2002	2001
Delaware	5.2	5.5	5.3	5.5	5.6	4.9	5.3	5.5
Georgia	3.0	3.0	2.7	2.8	2.9	2.8	2.9	2.6
Maryland	3.0	2.8	3.0	2.9	3.0	2.7	2.6	2.6
North Carolina	2.8	2.4	-	-	-	-	1.4	1.4
Missouri	2.1	1.9	1.6	1.5	1.6	1.3	1.3	1.1
VIRGINIA	**1.9**	**1.8**	**1.7**	**1.8**	**1.7**	**1.7**	**1.8**	**1.9**
Utah	1.9	2.3	2.7	3.2	3.5	2.8	3.0	2.8
South Carolina			-	-	2.4	2.3	2.5	1.8
Minnesota			-	-	-	-	1.8	1.8
AAA Median	2.4	2.4	2.7	2.9	2.9	2.7	2.5	1.9
AAA Average	3.2	3.2	2.8	3.0	3.0	2.6	2.5	2.4

(2) Personal income is based on Census data from two years prior to each respective year's debt analyzed.

Exhibit D

Moral Obligation Debt
And
Contingent Liability Debt

Moral Obligation Debt

- Definition of Moral Obligation Debt:

  Moral obligation debt refers to a bond issue structure originally created in the 1960s and utilized primarily by state housing finance agencies or state-administered municipal bond banks as additional credit enhancement for revenue bond issues. A government's moral obligation pledge provides a deficiency make-up for bondholders should underlying project revenues prove insufficient. The mechanics involve funding a debt service reserve fund when the bonds are issued. If a revenue deficiency exists, reserve fund monies are used to pay bondholders. The issuer then informs the legislative body requesting that it replenish the reserve fund before subsequent debt service is due. The legislative body "may", but is not legally required to, replenish the reserve fund.

- Rating agencies do not include in tax-supported debt ratios as long as bonds are self-supporting.

- Commonwealth Moral Obligation Debt Issuers:

  –Virginia Resources Authority
  –Virginia Housing Development Authority
  Multi-Family Housing Bonds

Moral Obligation Debt

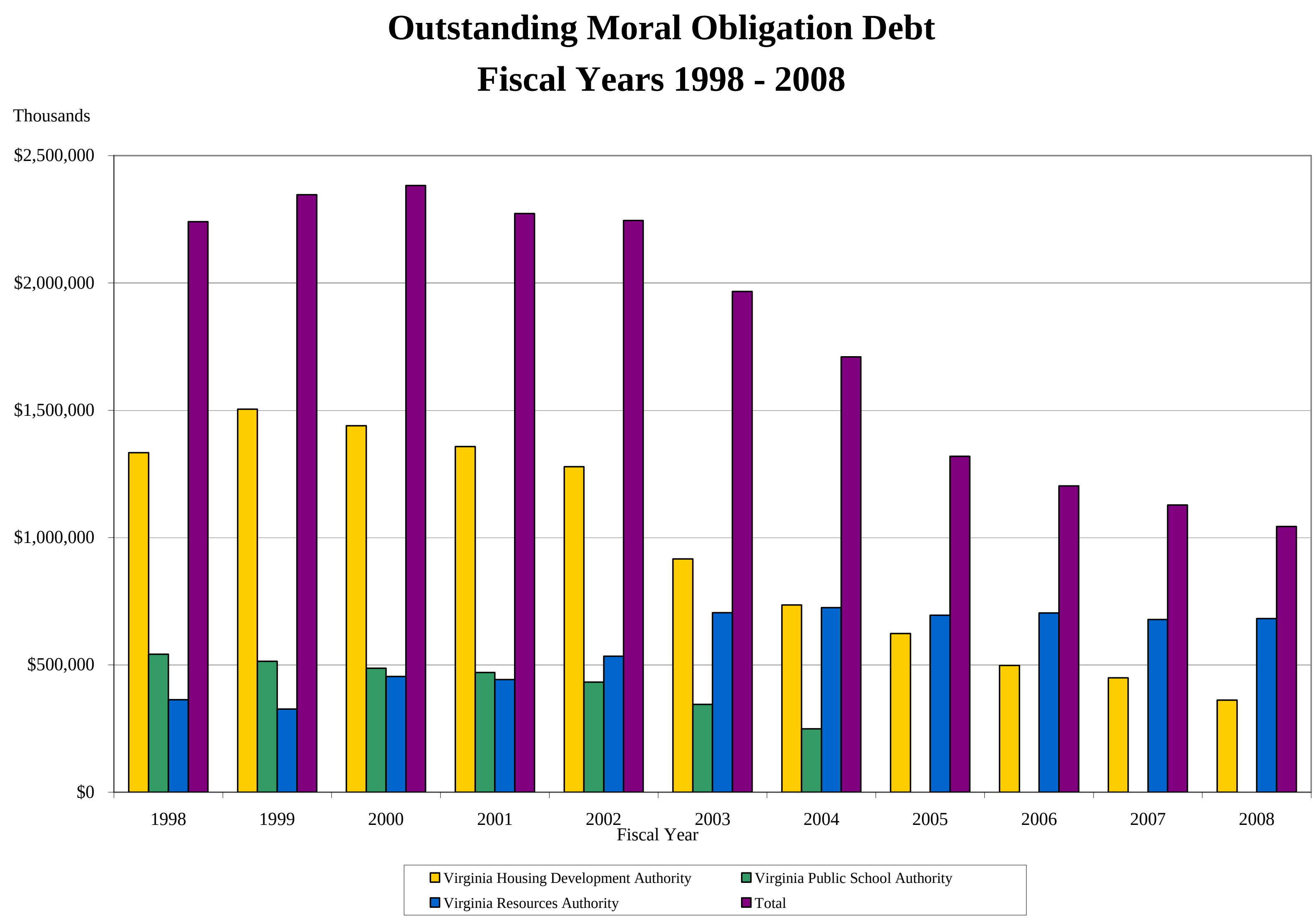
Issuer	Statutory Limit	Outstanding At June 30, 2008	Available Authorization
Virginia Resources Authority	$ 900,000	$ 681,886	$ 218,114
Virginia Housing Development Authority	1,500,000	361,691	1,138,309
Total	$2,400,000	$1,043,577	$1,356,423

Dates upon which issuers expect to meet or exceed statutory borrowing cap:

VHDA:	N/A	- Alternative financing programs initiated in fiscal year 1999 do not require use of moral obligation. Does not expect to issue additional moral obligation debt.
VRA:	CY 09	- Cap raised from $550 million to $900 million in 2001. Cap is expected to be exceeded by end of calendar year 2009. VRA plans to seek increase of cap to $1.5 billion during 2009 Session.

Bond Ratings:	Fitch	Moody's	S&P
VHDA (Multi-Family):	N/R	Aa1	AA+
VRA:	N/R	Aa2	AA

Moral Obligation Debt



Contingent or Limited Liability Debt

- The only non-tax-supported debt obligations for which the Commonwealth has a contingent or limited liability are those which utilize a "sum sufficient appropriation" (SSA) to pay debt service.

- SSA was previously only used on certain revenue bonds issued by the Virginia Public School Authority under its 1997 Resolution. The Virginia Public School Authority had $ 2,829,665,000 of 1997 Resolution bonds outstanding as of June 30, 2008.

- The 2000 Appropriation Act (Chapter 1073) authorized the use of SSA for certain revenue notes issued by the Virginia Public School Authority under its Educational Technology Program. The SSA was codified during the 2001 General Assembly session. The Virginia Public School Authority issued its first series of notes enhanced by the SSA in the Spring of 2001. Notes outstanding as of June 30, 2008 equal $116,615,000.

Bond Ratings:	Fitch	Moody's	S&P
VPSA (1997 Resolution):	AA+	Aa1	AA+
VPSA (Equipment Technology Notes):	AA+	Aa1	AA+

Moral Obligation Debt

Excess Capacity Sensitivity

- The current Model solution provides for two years of excess capacity remaining at end of the 10-year Model period (excluding moral obligation debt) which results in average debt capacity of $406.01 million.

Total Moral Obligation Debt Sensitivity

- If the Model solution is altered to assume conversion of the all outstanding moral obligation debt (as of 6/30/08) to tax-supported debt, average debt capacity of $319.00 million is produced.

VHDA Sensitivity

- If the Model solution is altered to assume conversion of the VHDA's total outstanding moral obligation debt (as of 6/30/08) to tax-supported debt, average debt capacity of $375.84 million is produced.

VRA Sensitivity

- If the Model solution is altered to assume conversion of the VRA's total outstanding moral obligation debt (as of 6/30/08) to tax-supported debt, average debt capacity of $349.17 million is produced.

Sum Sufficient Appropriation Sensitivity

VPSA Sensitivity

- If the Model solution is altered to assume conversion of the VPSA's total outstanding debt secured by a sum sufficient appropriation (as of 6/30/08) to tax-supported debt, average debt capacity of $191.00 million is produced, with no issuance capacity until 2017, due to breach of the 5% provision in 2010-16.