COMMONWEALTH of VIRGINIA

K. Joseph Flores
Secretary of Finance

P.O. Box 1475
Richmond, Virginia 23218

October 29, 2021

The Honorable Janet D. Howell
Chairwoman
Finance & Appropriations Committee
Senate of Virginia
14th Floor – Pocahontas Building
Richmond, Virginia 23219

The Honorable Luke Torian
Chairman
Appropriations Committee
Virginia House of Delegates
13th Floor – Pocahontas Building
Richmond, Virginia 23219

Dear Senator Howell and Delegate Torian:

As directed by Item 264(c) of Chapter 552 of the Acts of Assembly, 2021 Special Session I (the "2021 Acts"), the Secretary of Finance in his role as chair of the Debt Capacity Advisory Committee ("DCAC") convened a workgroup to examine: (i) the process, procedures, and other requirements necessary for the Commonwealth's various agencies, institutions, and authorities for which the authority to issue state tax-supported debt has been vested, and (ii) whether a separate capacity model should be developed for transportation. The workgroup consisted of the Secretary of Finance, State Treasurer, Staff Director of the Senate Finance & Appropriations Committee, Staff Director of the House Appropriations Committee, and their related staff. The workgroup convened on October 21, 2021 to discuss its findings. A report detailing the workgroup's recommendations is required to be delivered to the Chairs of the Senate Finance & Appropriations Committee and House Appropriations Committee and the members of the DCAC by November 1, 2021. We are pleased to present to you this Special Report of the DCAC.

Sincerely,

K. Joseph Flores, Chairman
Debt Capacity Advisory Committee

Attachment
CC: Debt Capacity Advisory Committee Members

Commonwealth of Virginia

Debt Capacity Advisory Committee

Special Report on State Tax-Supported Debt Issuance Procedures and Transportation Debt Capacity

October 21, 2021

Debt Capacity Advisory Committee Members

The Honorable K. Joseph Flores – Chairman
Secretary of Finance

Manju S. Ganeriwala
State Treasurer

Harold E. Greer
Director, Joint Legislative Audit & Review Commission

Staci A. Henshaw
Auditor of Public Accounts

April R. Kees
Staff Director, Senate Finance & Appropriations Committee

Anne E. Oman
Staff Director, House Appropriations Committee

Hossein Sadid
Citizen Member

Ronald L. Tillett
Citizen Member

Daniel S. Timberlake
Director of the Department of Planning & Budget

David A. Von Moll
State Comptroller

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Special Report Scope

Item 264(c) of Chapter 552 of the Acts of Assembly, 2021 Special Session I (the "2021 Acts") sets forth the following, *"The Secretary of Finance, in his role as chair of the Debt Capacity Advisory Committee ("DCAC"), shall convene a workgroup of relevant stakeholders to examine the process, procedures, and other requirements necessary for the various agencies, institutions, and authorities of the Commonwealth, for which the authority to issue state tax-supported debt has been vested, to report to the DCAC prior to the issuance of any such state tax-supported debt. As a part of this evaluation of the Commonwealth's debt policies, the DCAC shall also examine whether a separate capacity model should be developed for transportation outside of the overall state tax-supported debt model. A report detailing the workgroup's recommendations shall be delivered to the members of the DCAC, and the Chairs of the House Appropriations and Senate Finance and Appropriations Committees by November 1, 2021."*

DCAC Background

Following the Commonwealth's increased use of debt in the 1980's, Governor Wilder issued Executive Order 38 (1991) which established the DCAC. Subsequent to the Executive Order, the DCAC was codified in Section 2.2-2712 of the Code of Virginia. The Committee was initially comprised of the Secretary of Finance, the State Treasurer, the Auditor of Public Accounts, the Director of Planning and Budget, the Director of the Joint Legislative Audit and Review Commission, and two citizen members appointed by the Governor. Legislation enacted in 2010 added three additional members to the Committee: the staff directors of the Senate Finance and House Appropriations Committees, and the State Comptroller. The Secretary of Finance serves as Chairman.

The Committee is vested with the power and duty to annually review the size and condition of the Commonwealth's tax-supported debt and to submit to the Governor and the General Assembly, by January 1st of each year, an estimate of the maximum amount of new tax-supported debt that prudently may be authorized for the next biennium. The Committee's recommendations must consider the projected debt service requirements over the current fiscal year and the following nine fiscal years. The Committee must also review annually the amount and condition of obligations for which the Commonwealth has a contingent or limited liability, and for which the Commonwealth is permitted to replenish reserve funds if deficiencies occur (i.e., Moral Obligation debt).

In 1991, after consideration of various alternatives to assess capacity, the Committee decided on a measure based on tax-supported debt service as a percent of revenues. This measure provides a direct comparison of the state's obligations to the resources available to pay them. Measuring the portion of the State's resources committed to debt-related fixed costs provides a measure of the State's budgetary flexibility and its ability to respond to economic downturns.

The target level selected by the Committee in 1991 was five percent - that is, debt service on tax-supported debt obligations should not exceed 5% of blended revenues. This measure is intended to ensure that annual debt service payments do not consume so much of the state's annual operating budget as to hinder the Commonwealth's ability to provide core government services. This basic measure has been endorsed by the DCAC in each subsequent year. Blended Revenues are comprised of general fund revenues, certain recurring non-general fund transfers including ABC profits, state revenues in the Transportation Trust Fund ("TTF"), and Virginia Health Care Fund revenues. Following a 2010 study, Blended Revenues also include the relevant portion of sales tax and certain recurring non-general fund Appropriation Act transfers. DCAC uses a ten-year average capacity to arrive at its recommendation in order to smooth the effect of dramatic revenue fluctuations and to facilitate long-term capital planning.

It is important to note that maintaining debt service at less than 5% of revenues is merely a benchmark of affordability. Debt service requires annual appropriation, and to the extent debt is authorized and issued, debt service will limit the amounts available for other budgetary needs.

Overview of Virginia's Tax-Supported Debt and Procedures for Authorization and Issuance

The State issues two types of tax-supported debt: general obligation bonds and various kinds of appropriation supported obligations. The Commonwealth's general obligation bonds are secured by the full faith and credit of the Commonwealth and are rated in the highest rating category (AAA, Aaa, AAA) by the bond rating agencies. Several factors contribute to the high bond ratings, including the legal protections inherent in constitutionally-permitted debt, investor confidence in the pledge of the full faith and credit of the State, and the presumption of the availability of the government's full resources. General obligation bonds are the most transparent of the various types of State debt obligations and typically carry the lowest interest cost. The Commonwealth's appropriation supported debt is typically rated one notch lower than its general obligation debt (AA+, Aa1, AA+) by the rating agencies due to the risk that funds for debt service payments may not be annually appropriated by the General Assembly.

Tax-supported debt obligations which impact the Commonwealth's debt capacity include general obligation bonds (excluding those general obligation bonds issued pursuant to Article X, Section 9(c) of the Constitution of Virginia for which debt service is paid from project revenues), debt secured by the TTF, obligations issued by the Virginia Public Building Authority ("VPBA") and the Virginia College Building Authority ("VCBA") that are repaid from general fund appropriations, certain obligations of the Virginia Port Authority ("VPA"), obligations payable under regional jail reimbursement agreements, bonded capital leases paid from a general fund appropriations, and other capital leases and installment purchases.

General Obligation Bonds

General Obligation 9(b) Bonds: Bonds issued under Article X, Section 9(b) of the Constitution are considered true general obligation bonds and are secured solely by the full faith and credit of the Commonwealth. Authorization for the issuance of 9(b) general obligation bonds first requires an affirmative vote of the majority of both houses of the General Assembly approving the language specifying the project(s) and bond authorization amounts. The authorizing language will not take effect until it is submitted to the citizens of the Commonwealth and approved through an open election by the majority of the electorate. In addition to requiring a voter referendum, 9(b) general obligation debt is also subject to Virginia's legal debt limits. The Constitution limits the total authorization of 9(b) general obligation debt during any given fiscal year to 25% of 1.15x the average State tax revenues for the prior three fiscal years, less any prior 9(b) general obligation authorizations during the same three prior fiscal years. In addition, the Constitution also limits the total amount of outstanding 9(b) general obligation bonds to no more than 1.15x the average State tax revenues for the prior three fiscal years.

General Obligation 9(c) Bonds: Bonds issued under Article X, Section 9(c) of the Constitution are considered double-barreled general obligation bonds and are secured by both the full faith and credit of the Commonwealth as well as the revenues of the project to be financed. In the case of

9(c) general obligation bonds, projects are required to be self-supporting via net project revenues, and the general obligation pledge serves as a back-stop in the event net project revenues are insufficient to service the debt. While these bonds do not require a voter referendum, authorization of the bonds requires a 2/3 super majority approval by each house of the General Assembly. In addition, authorization of these bonds also requires a signed opinion from the Governor attesting that the project's revenues will be sufficient to pay the debt service on the bonds. The Constitution limits the total outstanding amount of 9(c) general obligation bonds to 1.15x the average state tax revenues for the prior three fiscal years. Due to the general obligation pledge, 9(c) general obligation bonds are considered tax-supported debt for financial reporting purposes; however, it is not included in the calculation of debt capacity unless project revenues prove insufficient to service the debt and the general obligation back-stop is invoked. This situation has never occurred since 9(c) debt was first issued in 1973.

Virginia's legal debt limit calculations as of June 30, 2020, including the total amount of debt outstanding for the Commonwealth's various general obligation bonds, is included in Appendix A of this report.

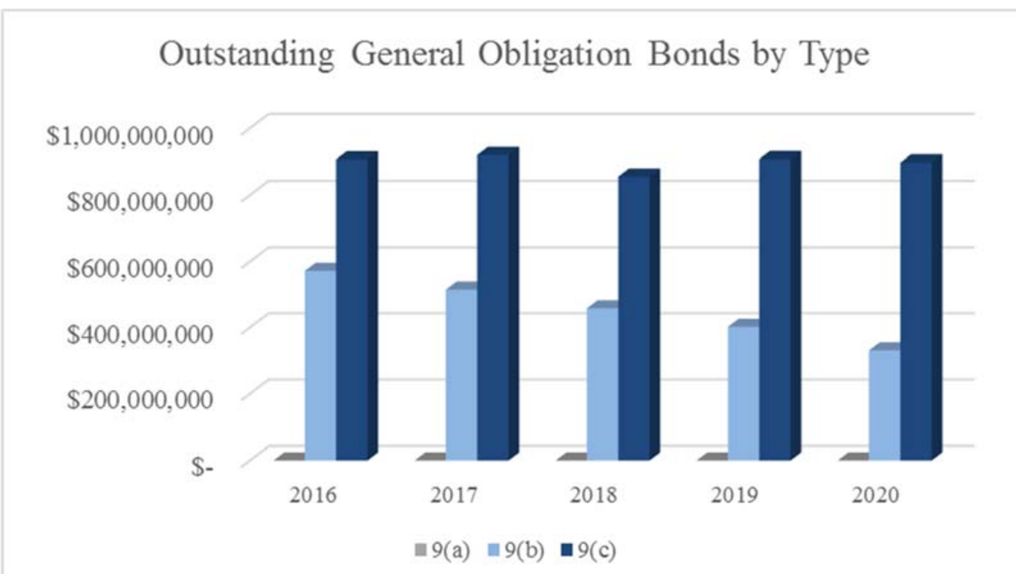
Appropriation Supported Debt

Appropriation Supported 9(d) Bonds: Bonds issued under Article X, Section 9(d) of the Constitution are appropriation supported bonds for which debt service payments are made by annual appropriations from the General Fund or the TTF. In certain cases, 9(d) bonds may also include an additional pledge of project revenues or the general revenues of the underlying institution for which the bonds are being issued. 9(d) bonds that carry an additional pledge of revenues are not considered tax-supported debt of the Commonwealth and are not included in the calculation of debt capacity. Authorization of 9(d) appropriation supported debt requires project approval by the General Assembly. Unlike 9(b) and 9(c) general obligation bonds which are issued by the Commonwealth through the Treasury Board, these bonds are issued by the Commonwealth's various agencies, authorities, and institutions for which the authority to issue State tax-supported debt has been vested, including the VCBA, VPBA, the Commonwealth Transportation Board ("CTB"), and the VPA. These bonds do not carry a pledge of the Commonwealth's full faith and credit and there is no constitutional debt limit for 9(d) appropriation supported bonds.

Other Appropriation Supported 9(d) Debt: In addition to 9(d) bonds issued by the Commonwealth's various debt issuing agencies and authorities, other appropriation supported obligations of the Commonwealth are considered tax-supported 9(d) debt of the Commonwealth, including bonded capital leases, other long-term capital leases, and installment purchases. Authorization of these obligations requires project approval of the General Assembly.

Virginia's Tax-Supported Debt Issuers

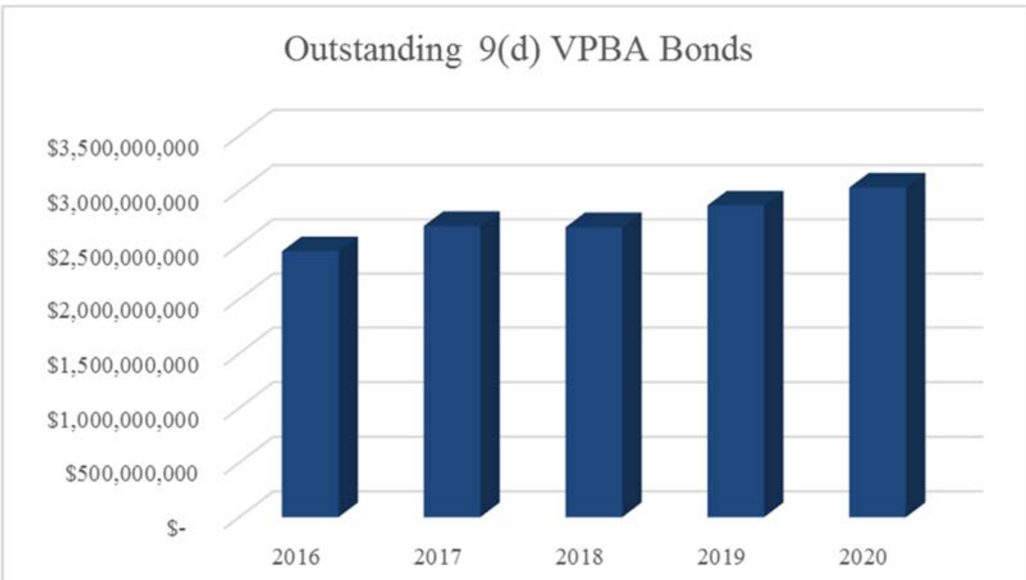
Treasury Board: The Treasury Board is responsible for the issuance of the Commonwealth's various forms of general obligation debt, including all 9(a), 9(b), and 9(c) general obligation bonds. Once a project has received authorization for general obligation bond financing from the General Assembly, and if necessary, approval through voter referendum, the Treasury Board is authorized under Article X of the Constitution to issue and sell bonds of the Commonwealth. Section 2.2-2416 of the Code of Virginia provides the Treasury Board the power to approve the final terms and structure of the bonds, including the amount, term, rate parameter, security, method of sale, redemption provisions, and form of bonds, through the adoption of a resolution outlining these conditions at a meeting of the Treasury Board prior to issuance. Following Treasury Board's adoption of the resolution authorizing the issuance and sale of the bonds, the Governor must also provide final consent to the issuance. As of June 30, 2020, the Commonwealth had approximately \$1.2 billion in general obligation bonds outstanding, consisting of approximately \$330.9 million in 9(b) general obligation bonds and \$897.5 million in 9(c) general obligation bonds. The Commonwealth did not have any 9(a) general obligation bonds outstanding as of June 30, 2020. In addition, there were no authorized but unissued bonds for 9(b) projects at fiscal year-end 2021; the last authorization for 9(b) bonds occurred in 2002. However, as of June 30, 2021, there were approximately \$701.4 million in authorized 9(c) general obligation bond financed projects for which bonds have not yet been issued.



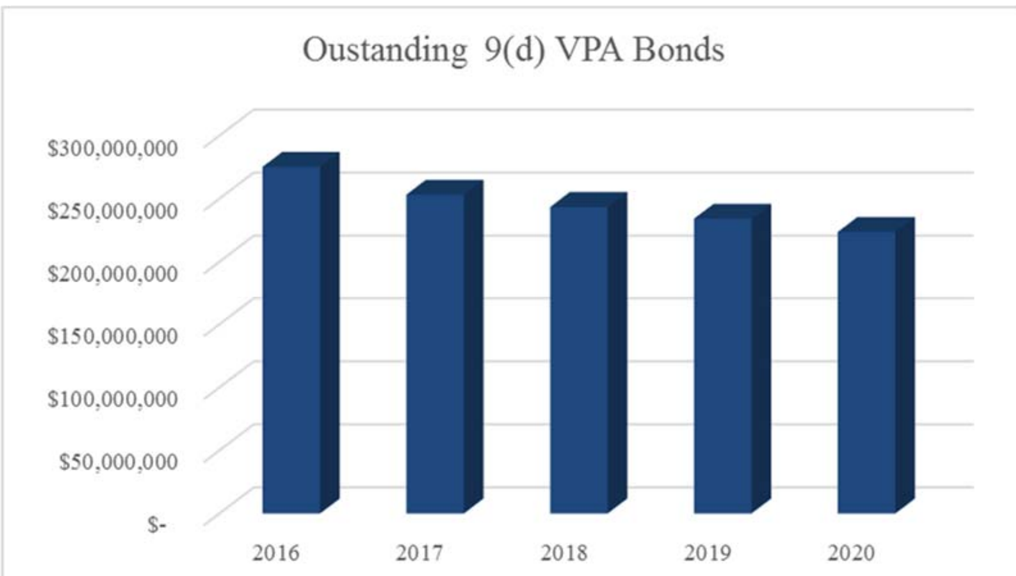
Commonwealth Transportation Board: The CTB is authorized to issue appropriation supported 9(d) bonds to finance transportation related capital projects. Certain bonds issued by the CTB are secured by revenues of the TTF and an additional pledge of other available revenues, including appropriations from the General Fund, and are thus considered 9(d) tax-supported bonds of the Commonwealth. Once a 9(d) bond financed transportation project has received authorization from the General Assembly, the CTB is authorized under the Transportation Development and Revenue Bond Act, Sections 33.2-1700 *et seq.* of the Code of Virginia, to issue revenue and appropriation supported bonds to finance the costs of transportation projects. The CTB must first authorize the issuance through the adoption of a resolution by the CTB defining the terms and structure of the financing. Following CTB approval of the issuance of any appropriation supported bonds, the final terms and structure of the bonds must also be approved by the Treasury Board through the adoption of a resolution authorizing the issuance. Finally, consent of the Governor must also be provided for the issuance of bonds by the CTB. As of June 30, 2020, the CTB had approximately $2.8 billion in 9(d) transportation bonds outstanding. In addition, as of June 30, 2021, there were approximately $863.6 million in authorized 9(d) bond financed transportation projects for which bonds have not yet been issued.

Virginia College Building Authority: The VCBA is authorized to issue appropriation supported 9(d) bonds for higher education capital projects through two separate funding programs: the 21st Century College and Equipment Program and the Public Higher Education Financing Program. Bonds issued through the Public Higher Education Financing Program are secured first by a pledge of the general revenues of the underlying higher education institution, and as such, are not considered tax-supported debt. However, bonds issued through the 21st Century College and Equipment Program are secured solely by General Fund appropriations. Once a 9(d) bond financed higher education project has been authorized by the General Assembly, the VCBA is authorized under Chapter 12, Title 23.1 of the Code of Virginia to issue bonds to finance the cost of capital improvements and the purchase of equipment for Virginia's institutions of higher education. The VCBA Board must first authorize the issuance through the adoption of a resolution of the VCBA Board defining the terms and structure of the financing. Following VCBA Board approval of the issuance of any appropriation supported bonds, the final terms and structure of the bonds must also be approved by the Treasury Board through the adoption of a resolution authorizing the issuance. As of June 30, 2020, the VCBA had approximately \$4.4 billion of tax-supported 21st Century College and Equipment Program bonds outstanding. In addition, as of June 30, 2021 there were approximately \$2.3 billion in authorized 9(d) bond financed higher education capital and equipment projects for which bonds have not yet been issued.

Virginia Public Building Authority: The VPBA is authorized to issue appropriation supported 9(d) bonds to finance capital projects that construct, improve, furnish, maintain, or acquire public buildings for the use of the Commonwealth, as well as any other projects that benefit the Commonwealth and any of its agencies, instrumentalities, and political subdivisions. Once an eligible 9(d) financed capital project has been authorized by the General Assembly, the VPBA is authorized under the Virginia Public Building Authority Act of 1981, Article 6, Chapter 22, Title 2.2 of the Code of Virginia, to issue bonds to finance public facilities. The VPBA Board must first authorize the issuance through the adoption of a resolution of the VPBA Board defining the terms and structure of the financing. Following VPBA Board approval of the issuance of any bonds, the final terms and structure of the bonds must also be approved by the Treasury Board through the adoption of a resolution authorizing the issuance. As of June 30, 2020, the VPBA had approximately $3.0 billion in tax-supported 9(d) bonds outstanding. In addition, as of June 30, 2021, there were approximately $1.875 billion in authorized 9(d) bond financed public facility and jail projects for which bonds have not yet been issued.



Virginia Port Authority: The VPA is authorized to issue revenue bonds to acquire, construct, maintain, equip, and operate port facilities and related structures necessary to Virginia's port commerce. Any bonds issued by the VPA that are secured by revenues of the Commonwealth Port Fund, which is a component of the TTF, are considered tax-supported 9(d) appropriation bonds. Once a port related project is authorized for bond financing by the General Assembly, the VPA is authorized under Chapter 10, Title 62.1 of the Code of Virginia to issue bonds for approved port related projects. The VPA Board of Commissioners must first authorize the issuance through the adoption of a resolution of the VPA Board of Commissioners defining the terms and structure of the financing. Following VPA Board of Commissioners approval for the issuance of any appropriation supported bonds, the final terms and structure of the bonds must also be approved by the Treasury Board through the adoption of a resolution authorizing the issuance. As of June 30, 2020, the VPA had approximately $223.7 million in tax-supported 9(d) bonds outstanding. There are currently no additional authorizations for 9(d) bond financed port projects for which bonds have not yet been issued.



Recommendation

Under current law, all tax-supported debt of the Commonwealth must first be duly authorized by the General Assembly and receive approval from the Board of the issuing agency, authority, or institution as well as the consent of the Governor. In addition, the Treasury Board has final approval of the terms and structure of all of the Commonwealth's tax supported debt prior to its issuance. The DCAC is an advisory committee that has responsibility for providing a recommendation of how much tax-supported debt can be authorized and issued prior to the start of the January session of the General Assembly, although its recommendation is non-binding.

While the DCAC also reports on the amount of Commonwealth debt annually, the committee does not have the authority to approve or deny any proposed issuances of previously authorized debt. Any reporting of planned issuances to the DCAC would be for informational purposes only. Given the level of authorization and approvals that already exist, it does not appear necessary to modify to the Code to provide the DCAC with an authorization to provide final authority to allow or deny the issuance of tax-supported debt.

Analysis of Tax-Supported Transportation Debt and Debt Capacity

The rating agencies view all debt supported by state-wide, generally applied taxes and fees to be tax-supported debt. The TTF was established by the General Assembly in Chapters 11, 12, 13 and 15 of the Acts of the Assembly, 1986 Special Session (the 1986 Special Session Acts), as a special non-reverting fund administered and allocated by the CTB for the purpose of increased funding for construction and other capital needs of state highways, airports, mass transit and ports. Chapters 1230 and 1275 of the Acts of the General Assembly of the Commonwealth of Virginia 2020 Regular Session ("Chapter 1230" and "Chapter 1275", respectively) enacted numerous structural changes to the transportation funding system in the Commonwealth. These changes generally became effective July 1, 2020.

Under Chapters 1230 and 1275, transportation-related revenues are directed to a special non-reverting fund known as the Commonwealth Transportation Fund, and the distribution of revenues is streamlined, based on codified formulas, to sub-funds established to meet the varying transportation needs and different modes of transportation in the Commonwealth. The TTF continues to be funded primarily from the initial base of revenues specified by the 1986 Special Session Acts, as amended, including the retail sales and use tax, motor fuels tax and motor vehicle related taxes and fees. Chapters 1230 and 1275 makes changes and add to these revenue sources.

Those revenues, as well as the debt service supported by those revenues, are included in the current debt capacity model calculation. Not included in the debt capacity model are highway maintenance and operating revenues (HMO), federal transportation revenues, and debt related to Grant Anticipation Revenue Vehicles (GARVEEs) paid from federal transportation revenues.

Transportation Debt Capacity Analysis

When making recommendations on the amount of future tax-supported debt that can prudently be authorized and issued, DCAC's target debt capacity benchmark of 5% considers debt service on all outstanding and authorized but unissued tax-supported debt as a percentage of blended revenues. However, transportation specific debt service as a percentage of TTF revenues has historically exceeded this 5% benchmark and is projected to continue to exceed 5% of TTF revenues going forward. From fiscal year 2012 through fiscal year 2021, TTF debt service as a percentage of TTF revenues as calculated using the DCAC model ranged from 14.03% to 20.52%. A chart showing the last ten years of historical TTF debt service to TTF revenues can be found in Appendix B of this report. Accordingly, to the extent the 5% measure is being exceeded by the TTF, capacity derived from the general fund is being utilized. This does not mean that general fund dollars are supplementing debt service payments on TTF debt; rather, it means that capacity derived from the general fund is being used to keep overall capacity for all tax-supported debt under the 5% target.

The annual DCAC report has generally recognized this fact through a generic statement that hasn't highlighted the magnitude of transportation debt service to transportation revenues. In order to develop this special report, Treasury's Debt Management staff produced an interim run of the debt capacity model as of September 2021 showing projected debt capacity for fiscal years 2022 through 2031. In addition to the standard base model solution, Debt Management staff produced two additional model solutions: a General Fund only model solution that includes General Fund revenues, related transfers, and Virginia Health Care Fund revenues along with General Fund supported debt service; and a TTF only model solution that includes TTF revenues and TTF supported debt service. These model runs are based on actual unaudited FY21 revenue numbers taken from the August Secretary of Finance presentation to the Joint Money Committee and from input from Virginia Department of Transportation staff. Debt Management staff requested revenue growth guidance from the Department of Taxation. Given that an updated revenue forecast is not currently available, the Department of Taxation suggested that an illustrative approach be used for projecting revenue growth. As such, General Fund revenues are projected to grow by 1% annually from FY22 through FY24, then by 2.6% annually through FY31. TTF revenues are projected to grow by 1% annually from FY22 through FY24, then by 2.2% annually through FY31. Annual debt service payments (column 3 of the model results) are taken directly from outstanding debt service schedules as of June 30, 2021. Projected debt service payments on authorized but unissued debt (column 5 of the model results) are based on expected issuance schedules developed by Debt Management staff. Projected debt service as a percentage of revenues can be found in column 6 of the model. The 10-year average debt capacity can be found at the bottom of column 8. The various model solutions as of September 2021 (Base, General Fund only, and TTF only) can be found in Appendices C-1 to C-3 of this report. **Please note: the model solutions utilize preliminary and unaudited data and do not reflect an official forecast, and as such, are intended for illustrative purposes only.**

Base Model Solution: The September 2021 base model solution for the 10 year average debt capacity indicates that an additional $840.52 million in tax-supported debt could be authorized and issued annually going forward without exceeding the 5% debt capacity benchmark. Following this 10 year average capacity amount, total debt service as a percentage of blended revenues would range from a low of 4.62% to a high of 5.00% over the next 10 fiscal years.

General Fund Only Model Solution: The September 2021 General Fund only model solution indicates that the removal of transportation related revenues and debt would result in an increase in the 10 year average debt capacity up to $1.04 billion, or an increase of $198.9 million annually from the base model solution. Another way of interpreting this data is that transportation debt service is reducing General Fund debt authorization capacity by $198.9 million annually. Under this scenario, project General Fund debt service as a percentage of General Fund revenues would range from a low of 4.59% to a high of 5.00% over the next 10 fiscal years.

Transportation Trust Fund Only Model Solution: The September 2021 TTF only model solution indicates that there would be no additional capacity to issue transportation debt if a separate TTF only model were created and was subject to the same 5% capacity benchmark that is used for the current base model. Transportation debt service as a percentage of TTF revenues is projected to range from a low of 11.74% to a high of 14.89% over the next 10 fiscal years.

Recommendation

From the perspective of the rating agencies, all tax-supported debt of the Commonwealth, whether supported by General Fund or TTF revenues, has an impact on the Commonwealth's debt burden. Viewing the model for only the General Fund without transportation revenues or debt creates a false impression of additional capacity for tax-supported debt. On the other hand, viewing the model for TTF revenues and debt alone clearly demonstrates an inability for the TTF to meet the current 5% benchmark for debt service as a percentage of revenues set by DCAC. If the models were to be split for the purposes of calculating debt capacity separately for the General Fund and TTF, a policy would need to be adopted to include a higher debt capacity benchmark for the TTF.

We recognize that the current model calculation provides a more conservative approach than splitting the models and we do not recommend that a separate debt capacity model be created for transportation. However, we recommend that more detailed discussion on the impact of transportation debt on the Commonwealth's overall debt capacity should be included in future reports of the DCAC and we plan to incorporate more information on the level of transportation debt service to TTF revenues beginning with the December 2021 DCAC report.

Appendix A – Legal Debt limit Calculation as of June 30, 2020

COMPUTATION OF LEGAL DEBT LIMIT AND DEBT MARGIN
(in thousands)

	Fiscal Year Ended June 30,		
Taxes	**2018**	**2019**	**2020**
Individual and Fiduciary Income [1]	$14,105,766	$14,801,986	$15,351,603
Corporation Income [2]	861,897	943,391	1,011,650
State Sales and Use [3]	3,827,078	3,972,960	4,112,861
Total	$18,794,741	$19,718,337	$20,476,114
Average tax revenues for the three fiscal years			$19,663,064
Section 9(a)(2) General Obligation Debt Issuance Limit and Margin [4]:			
Debt Issuance Limit:			
30% of 1.15 times annual tax revenues for fiscal year 2020			$7,064,259
Less 9(a)(2) Bonds Outstanding:			0
Debt Issuance Margin for Section 9(a)(2) General Obligation Bonds			$7,064,259
Section 9(b) General Obligation Debt Issuance Limit and Margin:			
Debt Issuance Limit:			
1.15 times the average tax revenues for three fiscal years as calculated above			$22,612,524
Less 9(b) Bonds Outstanding at June 30, 2020:			
Public Facilities Bonds [6]		$330,934	
Transportation Facilities Refunding Bonds [5][6]		0	
Bond Anticipation Notes		0	
Total 9(b) Bonds Outstanding at June 30, 2020			330,934
Debt Issuance Margin for Section 9(b) General Obligation Bonds			$22,281,590
Debt Authorization Limit:			
25% of 1.15 times average tax revenues for three fiscal years as calculated above			$5,653,131
Less 9(b) debt authorized during the three prior fiscal years			0
Maximum additional 9(b) debt that may be authorized by the General Assembly (subject to referendum):			5,653,131
Section 9(c) General Obligation Debt Issuance Limit and Margin:			
Debt Issuance Limit:			
1.15 times the average tax revenues for three fiscal years as calculated above			$22,612,524
Less 9(c) Bonds Outstanding at June 30, 2020:			
Parking Facilities [6]		$7,583	
Transportation Facilities [6]		3,083	
Higher Educational Institutions [6]		886,837	
Bond Anticipation Notes		0	
Total 9(c) Bonds Outstanding at June 30, 2020			897,503
Debt Issuance Margin for Section 9(c) General Obligation Bonds			$21,715,021

[1] Includes taxes imposed pursuant to Articles 2 and 9 of Chapter 3, Title 58.1 of the Code of Virginia. 2019 is adjusted for Tax Payer Relief Fund amount.
[2] Includes taxes imposed pursuant to Article 10 of Chapter 3, Title 58.1 of the Code of Virginia.
[3] Includes taxes imposed pursuant to Chapter 6, Title 58.1 of the Code of Virginia, less taxes identified in Sections 58.1-605 and 58.1-638.
[4] Debt limit applies only to debt authorized pursuant to Article X, Section 9(a)(2) of the Constitution of Virginia.
[5] These bonds refunded certain Section 9(c) debt and because the Governor did not certify the feasibility of the refinanced project, it must be applied against the Section 9(b) Debt Limit.
[6] Net of unamortized discounts and premiums.

Sources: Department of Accounts and Department of the Treasury.

Appendix B – Historical TTF Debt Service to TTF Revenues – Fiscal Years 2012-2021

Historical TTF Debt Service as a Percentage of TTF Revenues

(Dollars in Millions)

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

	[1]	[2]	[3]	[4]
Fiscal Year	TTF Revenues	Base Capacity to Pay Debt Service	Annual Payments for Debt Service on Debt Issued	Actual Outstanding Debt Service as a % of Revenues
2012	1,060.20	53.01	185.47	17.49%
2013	1,083.60	54.18	222.39	20.52%
2014	1,189.00	59.45	232.70	19.57%
2015	1,324.50	66.23	229.16	17.30%
2016	1,367.50	68.38	248.71	18.19%
2017	1,431.40	71.57	263.70	18.42%
2018	1,440.60	72.03	260.97	18.12%
2019	1,497.00	74.85	280.01	18.70%
2020	1,532.06	76.60	270.93	17.68%
2021	1,885.78	94.29	264.62	14.03%

Appendix C - September 2021 Debt Capacity – Base Model Solution – Illustrative Purposes Only

DEBT CAPACITY MODEL

(Dollars in Millions)

September 2021

Base Model Solution

Debt Capacity Maximum Ratio

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

Fiscal Year	[1] Blended Revenues	[2] Base Capacity to Pay Debt Service	[3] Annual Payments for Debt Service on Debt Issued	[4] Actual Outstanding Debt Service as a % of Revenues	[5] Annual Payments for Debt Service on All Planned Debt Issuances	[6] Actual & Projected Debt Service as a % of Revenues	[7] Net Capacity to Pay Debt Service	[8] Amount of Additional Debt that may Be Issued	[9] Debt Service on Amount of Additional Debt that may Be Issued	[10] Remaining Capacity to Pay Debt Service	[11] Total Debt Service as a % of Revenues
2022	28,286.04	1,414.30	1,101.44	3.89%	64.45	4.12%	248.42	**2,213.54**	141.331	107.09	4.62%
2023	28,568.90	1,428.44	1,088.77	3.81%	168.74	4.40%	170.94	**0.00**	141.331	29.61	4.90%
2024	28,854.58	1,442.73	1,062.45	3.68%	238.95	4.51%	141.33	**0.00**	141.331	0.00	5.00%
2025	29,574.14	1,478.71	1,008.96	3.41%	314.18	4.47%	155.56	**222.86**	155.560	0.00	5.00%
2026	30,312.68	1,515.63	969.68	3.20%	372.23	4.43%	173.72	**284.32**	173.713	0.00	5.00%
2027	31,070.71	1,553.54	916.81	2.95%	372.23	4.15%	264.49	**1,421.70**	264.486	0.00	5.00%
2028	31,848.70	1,592.43	859.16	2.70%	372.08	3.87%	361.20	**1,514.63**	361.193	0.00	5.00%
2029	32,647.17	1,632.36	815.29	2.50%	372.08	3.64%	444.99	**1,312.34**	444.984	0.00	5.00%
2030	33,466.63	1,673.33	775.97	2.32%	358.84	3.39%	538.52	**1,435.83**	536.659	1.86	4.99%
2031	34,307.63	1,715.38	712.55	2.08%	358.84	3.12%	643.99	**0.00**	536.659	107.33	4.69%

10 Year Average: $840.52

Appendix C - September 2021 Debt Capacity – General Fund Only Model Solution – Illustrative Purposes Only

DEBT CAPACITY MODEL (GF ONLY)

(Dollars in Millions)

September, 2021

General Fund Only Model Solution

Debt Capacity Maximum Ratio

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

Fiscal Year	[1] GF Revenues	[2] Base Capacity to Pay Debt Service	[3] Annual Payments for Debt Service on Debt Issued	[4] Actual Outstanding Debt Service as a % of Revenues	[5] Annual Payments for Debt Service on All Planned Debt Issuances	[6] Actual & Projected Debt Service as a % of Revenues	[7] Net Capacity to Pay Debt Service	[8] Amount of Additional Debt that may Be Issued	[9] Debt Service on Amount of Additional Debt that may Be Issued	[10] Remaining Capacity to Pay Debt Service	[11] Total Debt Service as a % of Revenues
2022	26,381.40	1,319.07	853.52	3.24%	40.69	3.39%	424.87	**5,167.25**	329.921	94.94	4.64%
2023	26,645.22	1,332.26	846.90	3.18%	124.26	3.64%	361.10	**0.00**	329.921	31.18	4.88%
2024	26,911.67	1,345.58	821.19	3.05%	194.46	3.77%	329.93	**0.00**	329.921	0.00	5.00%
2025	27,588.48	1,379.42	784.95	2.85%	261.47	3.79%	333.01	**48.30**	333.004	0.00	5.00%
2026	28,283.34	1,414.17	745.73	2.64%	315.50	3.75%	352.94	**312.13**	352.933	0.00	5.00%
2027	28,996.72	1,449.84	701.23	2.42%	315.50	3.51%	433.10	**1,255.57**	433.099	0.00	5.00%
2028	29,729.08	1,486.45	650.65	2.19%	315.35	3.25%	520.45	**1,368.07**	520.448	0.00	5.00%
2029	30,480.92	1,524.05	606.95	1.99%	315.35	3.03%	601.74	**1,273.23**	601.742	0.00	5.00%
2030	31,252.73	1,562.64	567.58	1.82%	302.11	2.78%	692.94	**969.62**	663.650	29.29	4.91%
2031	32,045.01	1,602.25	503.76	1.57%	302.11	2.51%	796.38	**0.00**	663.650	132.73	4.59%
							10 Year Average:	$1,039.42			

Appendix C - September 2021 Debt Capacity – Transportation Trust Fund Only Model Solution – Illustrative Purposes Only

DEBT CAPACITY MODEL (TTF ONLY)

(Dollars in Millions)

September, 2021

Transportation (TTF) Only Model Solution

Debt Capacity Maximum Ratio

Debt Service as a % of Revenue = 5.0%

Fiscal Year	[1] TTF Revenues	[2] Base Capacity to Pay Debt Service	[3] Annual Payments for Debt Service on Debt Issued	[4] Actual Outstanding Debt Service as a % of Revenues	[5] Annual Payments for Debt Service on All Planned Debt Issuances	[6] Actual & Projected Debt Service as a % of Revenues	[7] Net Capacity to Pay Debt Service	[8] Amount of Additional Debt that may Be Issued	[9] Debt Service on Amount of Additional Debt that may Be Issued	[10] Remaining Capacity to Pay Debt Service	[11] Total Debt Service as a % of Revenues
2022	1,904.63	95.23	247.92	13.02%	23.76	14.26%	(176.45)	**0.00**	0.000	(176.45)	14.26%
2023	1,923.68	96.18	241.87	12.57%	44.48	14.89%	(190.17)	**0.00**	0.000	(190.17)	14.89%
2024	1,942.92	97.15	241.25	12.42%	44.48	14.71%	(188.59)	**0.00**	0.000	(188.59)	14.71%
2025	1,985.66	99.28	224.01	11.28%	52.72	13.94%	(177.44)	**0.00**	0.000	(177.44)	13.94%
2026	2,029.34	101.47	223.95	11.04%	56.73	13.83%	(179.22)	**0.00**	0.000	(179.22)	13.83%
2027	2,073.99	103.70	215.58	10.39%	56.73	13.13%	(168.61)	**0.00**	0.000	(168.61)	13.13%
2028	2,119.62	105.98	208.50	9.84%	56.73	12.51%	(159.25)	**0.00**	0.000	(159.25)	12.51%
2029	2,166.25	108.31	208.34	9.62%	56.73	12.24%	(156.76)	**0.00**	0.000	(156.76)	12.24%
2030	2,213.91	110.70	208.39	9.41%	56.73	11.98%	(154.42)	**0.00**	0.000	(154.42)	11.98%
2031	2,262.61	113.13	208.78	9.23%	56.73	11.74%	(152.39)	**0.00**	0.000	(152.39)	11.74%