

Debt Capacity: Moving Forward



Richard D. Brown
Secretary of Finance
Commonwealth of Virginia
www.finance.virginia.gov

February 4, 2010

Recommendations of Debt Capacity Advisory Committee (DCAC) December 2009

- The DCAC is considering whether:
 - Current 5% measure is still an appropriate measure of Virginia's debt capacity
 - Reliance on a single measure tied to revenues is the best way to assess the Commonwealth's debt capacity
- Staff are to conduct a study to be considered prior to the December 2010 meeting of DCAC (Committee to meet during the year)
- The study will have participation from staff of House Appropriations and Senate Finance Committees

Debt Issuance Plans – Governor Kaine’s 2010-2012 Introduced Budget

- Virginia continues to have critical infrastructure needs.
- Bonds for currently authorized projects through the CTB, VPBA, VCBA will continue to be issued.
- Governor Kaine’s 2010-2012 Budget Bill includes \$1.3 billion in additional bond projects.
- Given DCAC’s plan to re-examine debt capacity model, Item C-85 D requires the Secretary of Finance to submit before the 2011 General Assembly Session a plan for the issuance of these bonds. The plan must:
 - Be consistent with 2010 recommendations of the DCAC
 - Stay at or below debt capacity limits
 - Adhere to priorities set out in C-85 D
- The above actions ensure the Commonwealth stays within the DCAC recommended guidelines.

Appropriation Act

- C. The appropriations contained in paragraphs A and B of this Item shall be subject to the conditions specified in paragraph D below and no bonds shall be issued for the affected projects until the conditions of paragraph D are satisfied.

- D. The Secretary of Finance shall prepare and submit a plan to the Governor and the Chairmen of the House Appropriations Committee and the Senate Finance Committee on or before the beginning of the 2011 General Assembly Session to schedule the issuance of debt for the projects authorized in this Item and for the projects authorized in Item C-84, Central Maintenance Reserve, Item 245 Higher Education Equipment Trust Fund, and Item C-86 Improvements: Energy Conservation. The plan prepared by the Secretary of Finance shall take into account the most recent recommendations of the Debt Capacity Advisory Committee released prior to the start of the 2011 General Assembly Session and make recommendations on the issuance of bonds for affected projects to stay at or below the limits on debt capacity established by the Debt Capacity Advisory Committee. Furthermore, the plan shall recommend a schedule for issuance of debt that funds projects in the following priority order:

Appropriation Act (cont'd)

- Priority 1: Maintenance Reserve
- Priority 2: Higher Education Equipment Trust Fund
- Priority 3: Equipment for Previously Funded Projects
- Priority 4: Improvements: Energy Conservation
- Priority 5: Construction funds for projects with completed planning