

## **Bond Overview - Types of SC "Bonded Indebtedness"**

There are 2 primary types of long-term debt in South Carolina:

- 1) General Obligation (GO) Debt  
and
- 2) Revenue Debt

### General Obligation:

GO debt, also known as "Full Faith and Credit" debt, is debt that is guaranteed or "backed" by the state's taxpayers (via the state General Fund). SC Code 11-11-420 states that "...payments on general obligation debt shall constitute priority state expenditures." The SC Constitution lists just 3 types of GO debt that may be issued\*:

- 1) 3 types of "Public Purpose" debt
  - a) Capital Improvement Bonds
  - b) State School Bonds
  - c) Transportation Infrastructure Bank Bonds
- 2) Highway Bonds  
and
- 3) State Institution Bonds\*\*

It should be noted that while 2 and 3 above are "ultimately" backed by the General Fund, these bonds act more like "revenue bonds" (discussed below) as they are primarily backed thru various highway fees and tuition revenue.

\*(excluding 0.5% debt for econ develop and 0.5% for research univ).

### Revenue Bonds:

Revenue Bonds are issued by a public agency authorized to build a piece of revenue producing property, such as a college cafeteria or canteen. Unlike GO debt, revenue bonds are not secured by the state's taxpayers, but instead are "backed" exclusively by the revenue that is associated with the borrowing activity. Revenue bonds include debt of the infrastructure bank, tobacco authority, housing authority and higher education (such as for dorms and athletic facilities).

\*\*Annual debt service on these bonds can't exceed 90% of the total tuition revenue received by a school in the prior fiscal year. Institution bonds can be used for permanent improvement projects, (excluding athletic facilities, typically) as statute (59-107-30) excludes charges like "athletic" fees from being included in the amount of tuition that can be used to "back" these bonds.

*Attachment (c)*

The following table reflects each institution's history of debt service over the past 5 years for this class of debt.

Debt Class and Limitation	Debt Service Last 5 Years (In Thousands)				
	2008	2009	2010	2011	2012
State Institution Bonds					
Citadel	254	252	254	251	257
Clemson	5,986	5,994	5,994	6,000	8,720
College of Charleston	488	490	502	503	509
Coastal Carolina	1,435	1,425	1,419	5,404	5,317
Francis Marion	152	-	-	-	-
Lander	1,383	1,379	1,368	1,363	1,362
SC State	2,730	2,731	2,724	2,719	2,715
University of SC	11,260	11,265	11,912	11,910	14,191
Winthrop	3,059	3,850	4,838	4,823	4,764
MUSC	5,127	5,128	5,107	5,073	6,040

#### Revenue Debt

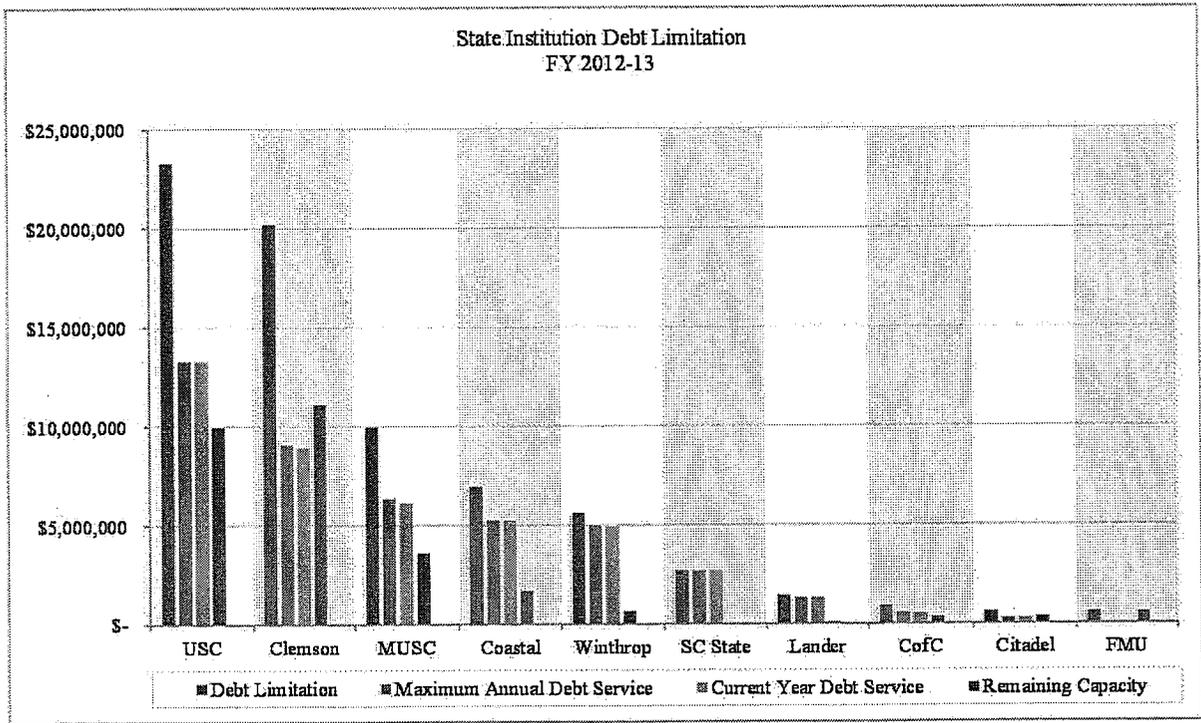
In addition to the general obligation debt above described, the General Assembly may authorize the State or any of its agencies, authorities or institutions to incur indebtedness for any public purpose payable solely from a revenue producing project or from a special source, which source does not involve revenues from any tax but may include fees paid for the use of any toll bridge, toll road or tunnel. Revenue debt is not generally subject to a debt service or fixed dollar limitation, with the exception of athletic revenue debt. Rather, rating agency and market/investor expectations dictate marketability, generally quantified by the ratio of the pledged revenue stream to debt service. Most revenue debt will be expected to have a minimum coverage ratio of 1.2x debt service. The major classes of these bonds and notes, the purposes for which they have been issued, the sources of payment, and amounts outstanding as of December 31, 2012 are described below, and summarized in the table that follows.

State Transportation Infrastructure Revenue Bonds. The South Carolina Transportation Infrastructure Bank assists governmental units and private entities in constructing and improving highway and transportation facilities necessary for public purposes, including economic development, by providing loans and other financial assistance. The Bank is authorized to issue revenue bonds for such purposes, which are payable from System and Series Payments. System Payments include a pledge of State truck registration fees for the payment of the Bank's revenue bonds; however, that pledge is junior and subordinate to the pledge of the truck registration fees for all general obligation State Highway Bonds. Series Payments are payments which are payable to the South Carolina Transportation Infrastructure Bank pursuant to one or more agreements executed between the Bank and any governmental or private entity.

State Institution Bonds. General obligation debt may be incurred for any state institution of higher learning designated by the General Assembly, i.e., State Institution Bonds, if the debt is additionally secured by a pledge of the revenues derived from the tuition fees received by the particular institution of higher learning for which the bonds are issued. Such bonds are authorized for permanent improvement and related purposes. The maximum annual debt service on issues of state institution bonds must not exceed 90% of the amounts received by the state institution from tuition fees for the immediately preceding fiscal year.

As of December 31, 2012, each of the state institutions was in compliance with the constitutional limitation.

The following chart reflects each institution's debt limit, debt service constraint, current year debt service, and remaining capacity for this class of debt.





Auxiliary Revenue Bonds and Notes for Institutions of Higher Learning. Auxiliary revenue bonds are secured by and payable from revenues derived from student or user fees associated with the various auxiliary facilities at the particular institution of higher learning. The various types of revenue debt included are Higher Education Facilities Revenue, Student and Faculty Housing, Housing and Auxiliary Facilities, Plant Improvement, Athletic Facilities, Auxiliary Facilities, Stadium Improvement, and Parking Facilities Revenue Bonds and Notes.

State Ports Authority Revenue Bonds. State Ports Authority Revenue Bonds are payable from certain revenues generated at the South Carolina State Ports Authority's facilities.

State Education Assistance Authority Guaranteed Student Loan Revenue Bonds. The State Budget and Control Board, acting as the State Education Assistance Authority, is authorized to issue revenue bonds for the purpose of obtaining monies to lend to South Carolina students pursuing courses in higher education. State Education Assistance Authority Guaranteed Student Loan Revenue Bonds are payable from revenues derived by way of repayment of such students' loans, which loans are insured as provided in the Higher Education Act of 1965.

The Medical University of South Carolina Hospital Facilities Revenue Bonds. The Medical University Hospital Authority issues revenue bonds payable from revenues derived from the operation of the hospital facilities of The Medical University of South Carolina for the purpose of providing such facilities.

South Carolina Public Service Authority Revenue Bonds. The South Carolina Public Service Authority, an autonomous State agency owning and operating electric generation and distribution facilities and wholesale water distribution facilities in certain counties in the State, issues revenue bonds payable solely from revenues derived by and from its operations.

State Housing Finance and Development Authority Revenue Bonds. The State Housing Finance and Development Authority provides financing for housing for qualifying persons of low to moderate income. Its bonds are payable from amounts received on loans made or mortgages purchased with bond proceeds.

Educational Facilities Authority for Private Nonprofit Institutions of Higher Learning. The State Budget and Control Board, acting as the Educational Facilities Authority for Private Nonprofit Institutions of Higher Learning, is authorized to issue revenue bonds for the purpose of providing facilities for use by private, nonprofit institutions of higher learning. Such revenue bonds are payable solely from revenues derived from the leasing and sale of such facilities or loaning the proceeds of such bonds to such institutions.

Heritage Trust Revenue Bonds. The board of the Department of Natural Resources, in its role as the trustee of the South Carolina Heritage Trust, acting through and in accordance with the terms of the Heritage Trust Program, is authorized to incur indebtedness to acquire, restore, improve, and manage additional properties suitable for inclusion in the Heritage Trust Program. Such indebtedness is secured by and payable from the revenues derived from that portion of the State deed recording fee dedicated to the Heritage Land Trust Fund.

Revenue Class	Principal Outstanding
State Transportation Infrastructure Bank	\$ 1,973,615,000
<del>Revenue Bonds and Notes for Institutions of Higher Learning</del>	710,523,000*
<del>State Ports Authority</del>	181,034,000*
<del>State Education Assistance Authority</del>	73,095,000*
<del>MUSC Hospital</del>	466,589,000*
<del>Public Service Authority</del>	5,120,540,000*
<del>State Housing Finance and Development Authority</del>	790,098,000*
<del>Educational Facilities Authority</del>	336,070,000*
<del>Heritage Trust</del>	13,605,000
<del>Tobacco Settlement Revenue Management Authority</del>	-
<del>Lease Revenue</del>	15,425,000

\*State CAFR: June 30, 2011. Latest Available Information

#### Debt History

Not since 1879 has there been any default, actual or technical, on any bonded debt of the State. The only defaults that ever occurred took place during, or as a consequence of, the period of reconstruction following the Civil War. The General Assembly has for many years empowered the State Budget and Control Board to reduce expenditures authorized for each fiscal year if a deficit appears likely. Not since 1932 has there been any incurrence of debt from external sources to fund operating deficits of the State.

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