

Annual State Debt Report

An Overview and Summary of
South Carolina Debt Outstanding, Limitations, Constraints, and Capacity
As of June 30, 2014



Office of State Treasurer
Curtis M. Loftis, Jr.

Prepared by
Kevin Kibler / Robert Macdonald

April 27, 2015



THE HONORABLE CURTIS M. LOFTIS, JR.
State Treasurer

April 27, 2015

To the Citizens, Governor,
and Members of the South Carolina General Assembly

It is my pleasure to transmit herewith the 2015 Annual State Debt Report, which presents an overview and summary of South Carolina debt limitations, constraints and capacity.

The information provided in this report is a part of our continuous efforts to furnish government officials, taxpayers and investors a transparent view of the state's long term financial obligations, borrowing capacity for the future, and compliance with the limitations imposed by our constitution and other laws.

I am pleased to provide this comprehensive report.

With kindest regards, I am

Very truly yours,

A handwritten signature in black ink, appearing to read "Curtis M. Loftis, Jr.", written over a large, stylized circular flourish.

Curtis M. Loftis, Jr.
State Treasurer

An Overview and Summary of
South Carolina Debt Limitations, Constraints, and Capacity
As of June 30, 2014

General Debt Provisions

Under South Carolina law, the authorization for any public entity to undertake debt is rooted in the constitution and implemented through statute. Article X of the constitution provides that the state shall have the power to incur indebtedness in the following categories and in no others: 1) general obligation debt; and 2) indebtedness payable solely from a revenue producing project or from a special source not involving revenues from any tax. These provisions are implemented by legislative act, and each enactment must contain provisions among others to allocate on an annual basis sufficient tax revenues to provide for the punctual payment of the principal of and interest on any general obligation debt. The constitution also provides that if at any time any payment due on any general obligation debt is not paid when it is due, the Comptroller General must levy and the State Treasurer must collect an ad valorem tax without limit as to rate or amount upon all taxable property in the state sufficient to meet the payment of the principal and interest of the general obligation debt then due.

General Obligation Debt

Debt Limitations – Generally. Constitutional provisions generally limit maximum annual debt service to 5% of the general revenues¹ of the state for the latest completed fiscal year (excluding state highway bonds, state institution bonds, and tax and bond anticipation notes, all described below), and impose additional requirements that the debt may not be incurred except for a public purpose, and must mature not later than 30 years from the time it is incurred. The constitution also provides that the 5% limitation may be reduced to 4% or increased to 7% by legislative enactment passed by a vote of 2/3 of the total membership of the Senate and a vote of 2/3 of the total membership of the House of Representatives. The General Assembly has on two occasions acted to increase the debt limit under these provisions, to 5.50% in 2002 for the purpose of issuing economic development bonds, and to 6.00% in 2004 for the purpose of issuing research university infrastructure bonds, both of which are discussed in more detail below.

The general assembly has authorized by enactment 5 classes of bonds subject to the 5% limitation: State School Bonds, for the purpose of constructing, improving, equipping, renovating and repairing of school buildings or other school facilities, or the cost of the acquisition of land whereon to construct or establish school facilities;² State Capital Improvement Bonds, authorized by Act 1377 of 1968, as continued and amended for State capital projects generally, and specifically for capital projects for various institutions and

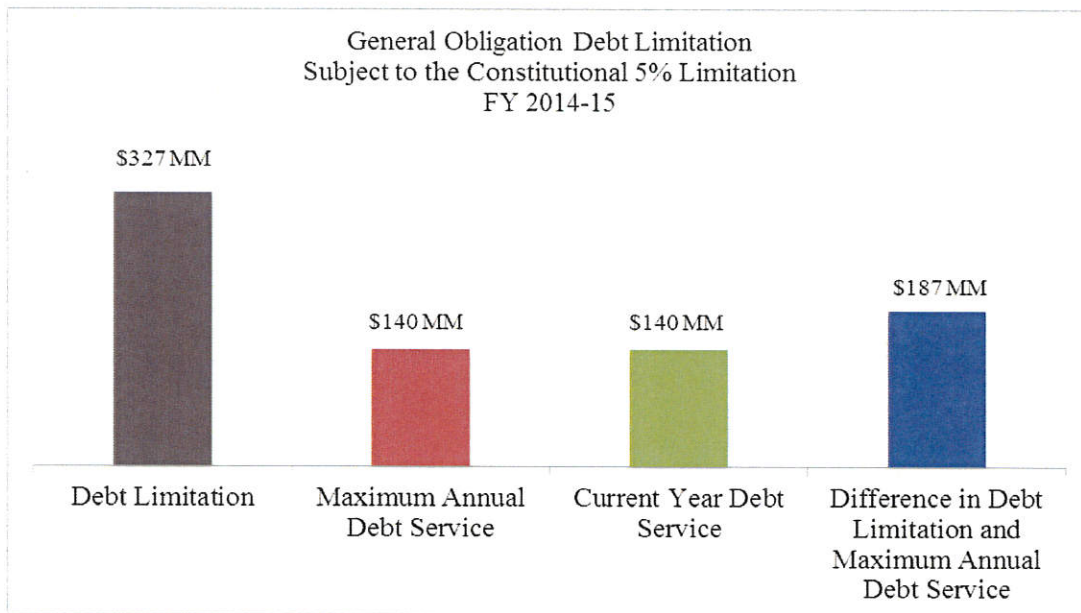
¹ General revenues are those tax revenues collected by the state in its general fund, including the individual and corporate income taxes, the sales tax, and more than twenty other classes of tax revenue, adjusted for certain amounts designated for specific statutory purposes.

² The authorization provided in these provisions expired in 1991; however it may be renewed by subsequent legislation.

agencies;³ State School Facilities Bonds for the purpose of assisting school districts to provide adequate educational facilities;⁴ State Transportation Infrastructure Bonds, for highways and transit projects; State Air Carrier Hub Terminal Facilities Bonds, to provide funds to pay a portion of the costs of acquiring land, constructing, enlarging, improving, extending, renovating, and equipping suitable air carrier hub terminal facilities to be located in the State, and purchasing equipment, ground support equipment, machinery, special tools, maintenance, boarding facilities, and any and all additional necessary real or personal property for the operation of air carrier hub terminal facilities;⁵ and State Economic Development Bonds to support an enhanced economic development project.⁶

The collective maximum annual debt service on these classes of bonds must not exceed the 5% limitation described above. As of June 30, 2014, the total amount of debt outstanding for these classes of debt was \$428,715,000, with associated maximum annual debt service of \$139,985,825, which was 2.14% of the total general revenues of the state of \$6,541,156,304. Accordingly, the state was in compliance with the 5% constitutional limitation.

The following chart reflects the debt limit, the debt service constraint, current year debt service, and remaining capacity for the state’s general obligation bonds, excluding highway and state institution bonds.



The following chart reflects a history of debt service over the past 5 years for this class of debt.

³ Also subject to the fixed dollar amount prescribed by Act 1377 of 1968, as amended, all of which amount was exhausted in 2004.

⁴ Also subject to a fixed dollar amount of \$750,000,000, all of which amount was exhausted in 2004.

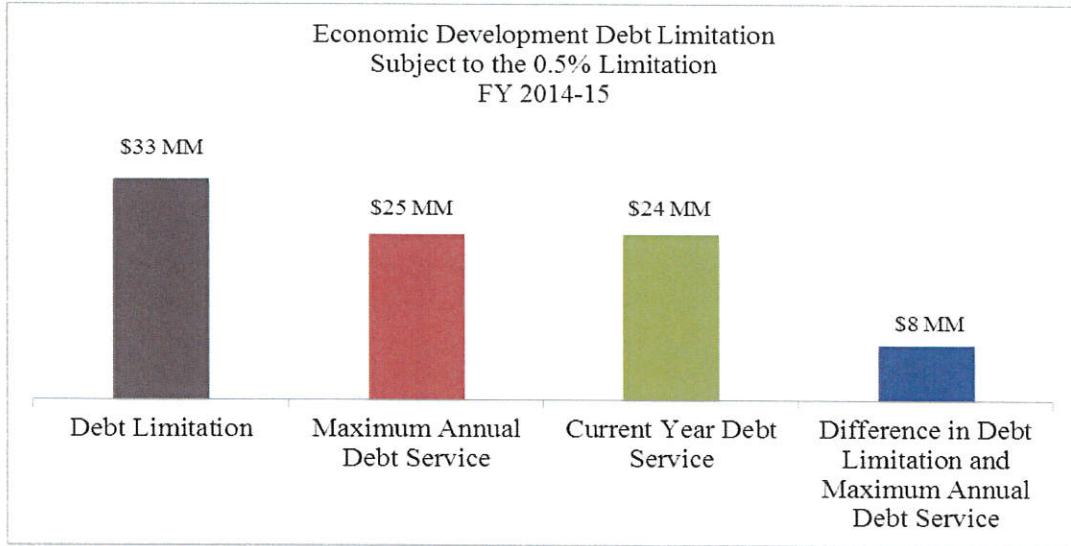
⁵ Also subject to a fixed dollar amount of \$50,000,000, all of which amount was exhausted in 2010.

⁶ Also subject to a fixed dollar amount of \$120,000,000, of which \$85 million had been issued at June 30, 2014.

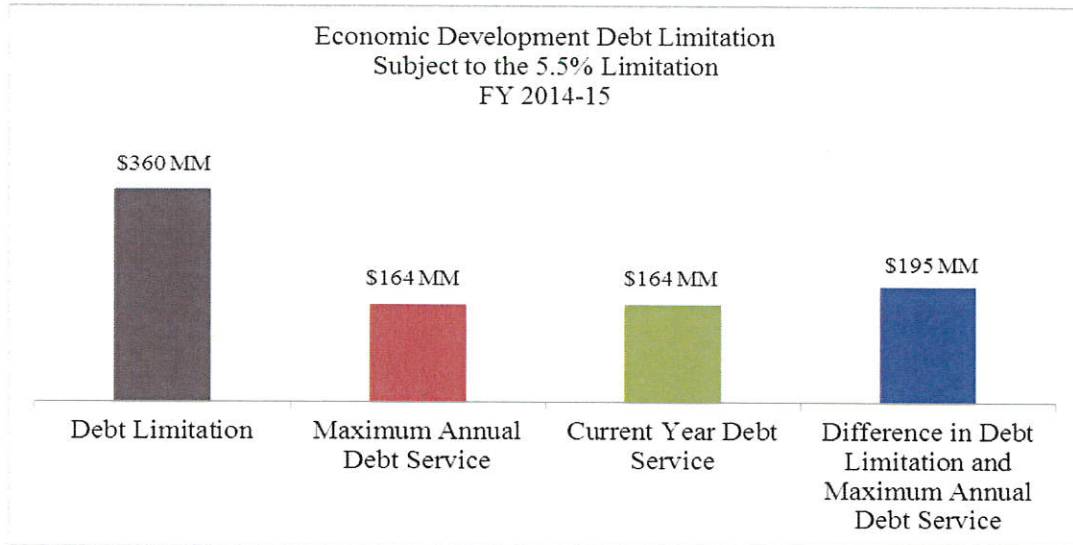


State Economic Development Bonds. The State Economic Development Bond Act authorizes the issuance of general obligation Economic Development Bonds to provide infrastructure for economic development within the State, including costs of land acquisition, site preparation, road and highway improvements, rail spur construction, water service, wastewater treatment, employee training, environmental mitigation, training and research facilities and necessary equipment, and buildings that are associated with an economic development project that includes air carrier hub terminal facilities (as defined under State law) or that are located on land that is owned by the State or one of its political subdivisions. Qualified projects must include (i) a total investment by the sponsor of at least \$400 million, and at least 400 new jobs must be created at the project by the sponsor, (ii) in the case of a Life Sciences Facility, a total investment by the sponsor of at least \$100 million, and at least 200 new jobs must be created at the project by the sponsor, with annual cash compensation for those jobs of at least twice the State's average per capita income, (iii) tourism training infrastructure projects, or (iv) national and international convention and trade show centers. In addition to the limitation described above, maximum annual debt service on bonds issued under the Economic Development Bond Act must not exceed 0.50% of the general fund revenues of the state for the immediately preceding fiscal year.

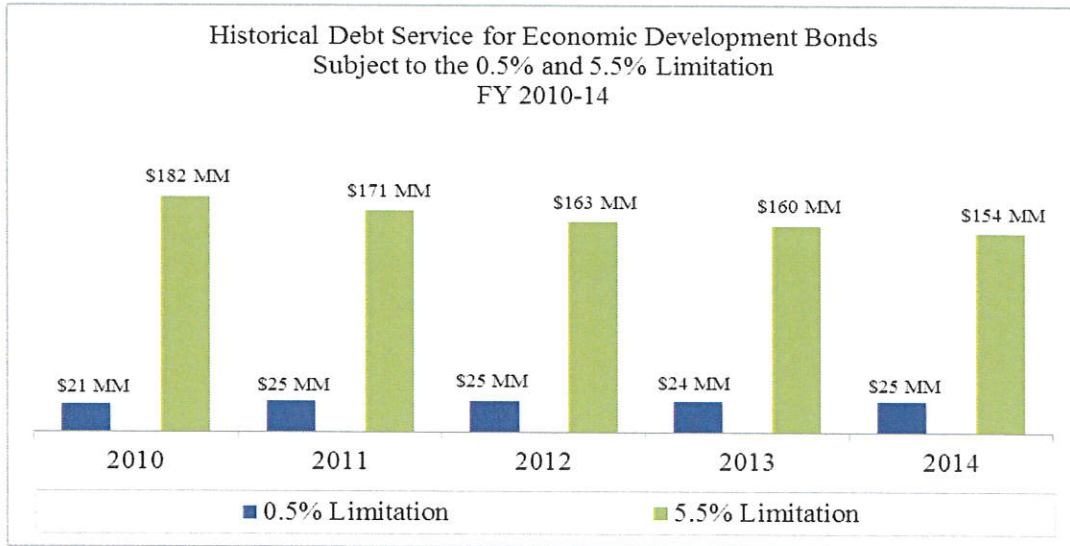
As of June 30, 2014, the total amount of economic development debt outstanding subject to the 0.50% limitation was \$183,435,000, with associated maximum annual debt service of \$24,521,236, which was 0.37% of the total general revenues of the state of \$6,541,156,304. Accordingly, the state was in compliance with the 0.50% constitutional limitation.



Additionally, the total amount of debt outstanding subject to the 5.50% limitation was \$612,150,000, with associated maximum annual debt service of \$164,478,643, which was 2.51% of the total general revenues of the state of \$6,541,156,304. Accordingly, the state was in compliance with the 5.50% limitation.



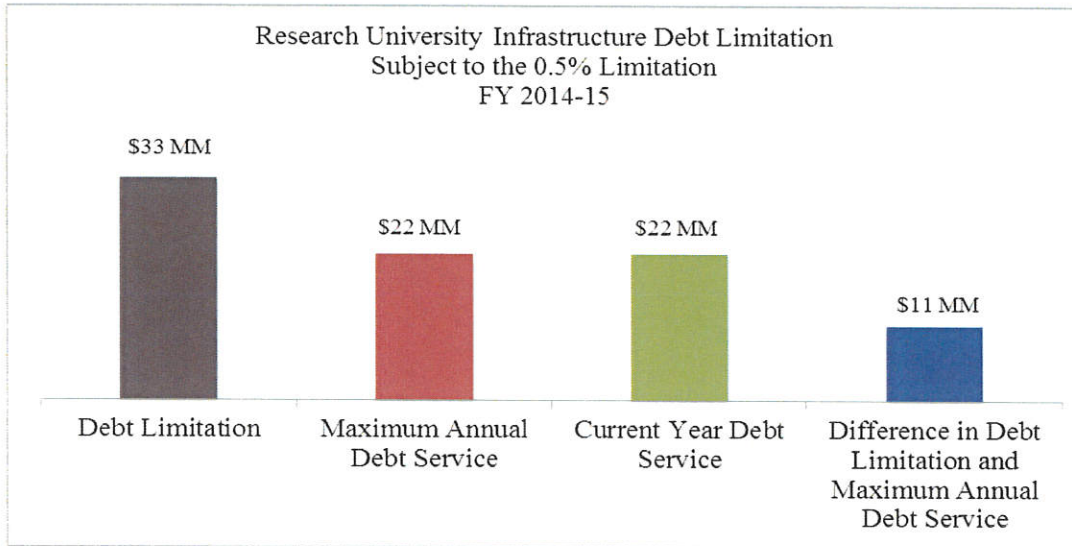
The following chart reflects a history of debt service over the past 5 years for this class of debt.



State Research University Infrastructure Bonds. The South Carolina Research University Infrastructure Act authorizes the issuance of general obligation Research University Infrastructure Bonds to advance economic development and create a knowledge-based economy, thereby increasing job opportunities, or to facilitate and increase externally funded research at the research universities, including land acquisition, acquisition or construction of buildings, equipment, furnishings, site preparation, road and highway improvements, and water and sewer infrastructure. In addition to the limitation described above, maximum annual debt service on bonds issued under the Research University Infrastructure Act must not exceed 0.50% of the general fund revenues of the state for the immediately preceding fiscal year, further subject to a maximum amount of general obligation debt that may be outstanding at any one time of \$250,000,000.

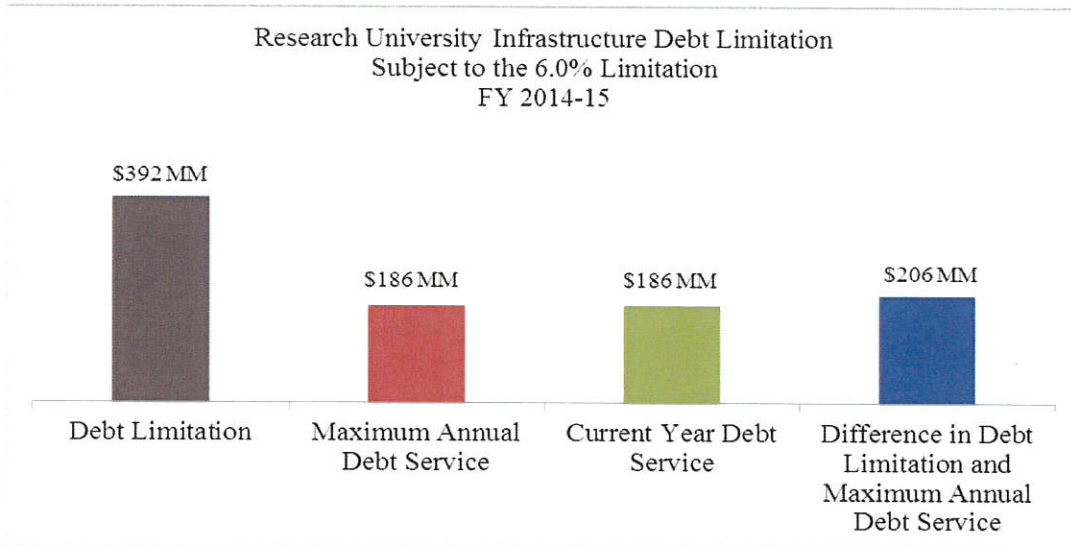
As of June 30, 2014, the total amount of research university infrastructure debt outstanding subject to the 0.50% limitation was \$144,865,000, with associated maximum annual debt service of \$21,662,963, which was 0.33% of the total general revenues of the state of \$6,541,156,304. Accordingly, the state was in compliance with the 0.50% constitutional limitation.

The following chart reflects the debt limit, the debt service constraint, current year debt service, and the remaining capacity for this class of debt subject to the 0.50% constitutional limitation.

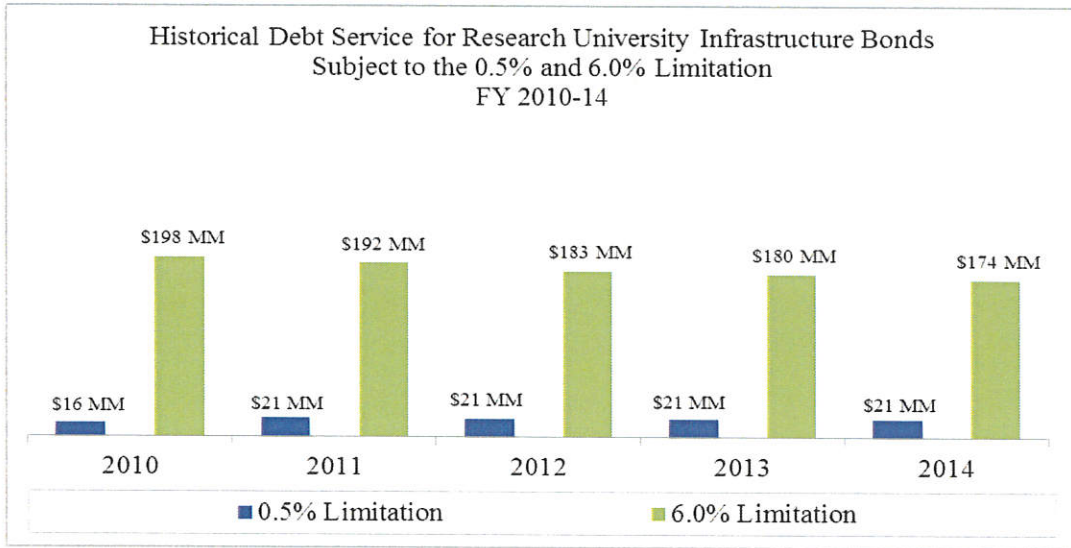


Additionally, the total amount of debt outstanding subject to the 6.00% limitation was \$757,015,000, with associated maximum annual debt service of \$186,141,605, which was 2.85% of the total general revenues of the state of \$6,541,156,304. Accordingly, the state was in compliance with the 6.00% limitation. A total of \$244,993,959 of the \$250,000,000 fixed dollar limitation had been issued; accordingly, the state was in compliance with the fixed dollar limitation.

The following chart reflects the debt limit, the debt service constraint, current year debt service, and the remaining capacity for this class of debt subject to the 6.00% limitation.



The following chart reflects a history of debt service over the past 5 years for this class of debt.



Debt Not Subject to Limitation on Debt Service. In addition, general obligation debt authorized by two-thirds of the members of each House of the General Assembly, or by a majority vote of the qualified electors of the State voting in a referendum, is not subject to restriction or limitation other than any imposed in the authorization, and the requirement that it must mature not later than 30 years from the time it is incurred.

During a special session of the General Assembly in October, 2009, pursuant to the provisions described above, legislation was introduced and approved by 2/3 of the members of each House of the General Assembly authorizing the issuance of additional economic development bonds, with such additional bonds limited to a principal amount of general obligation debt not exceeding \$170 million at any time, provided that no more than a total of \$170 million of proceeds may be used for any one project regardless of available capacity. Bonds issued pursuant to this provision are not subject to the limitations on debt service described above.

The following table reflects the debt limit, the debt service constraint, remaining margin, and current year debt service for this class of debt.

Debt Class and Limitation Debt Type	Total Capacity (Debt Limit)	Maximum	Current Year Debt Service	Remaining Capacity
		Annual Debt Service		
Fixed Principal Economic Development Bonds	170,000,000	30,953,000	11,035,825	-

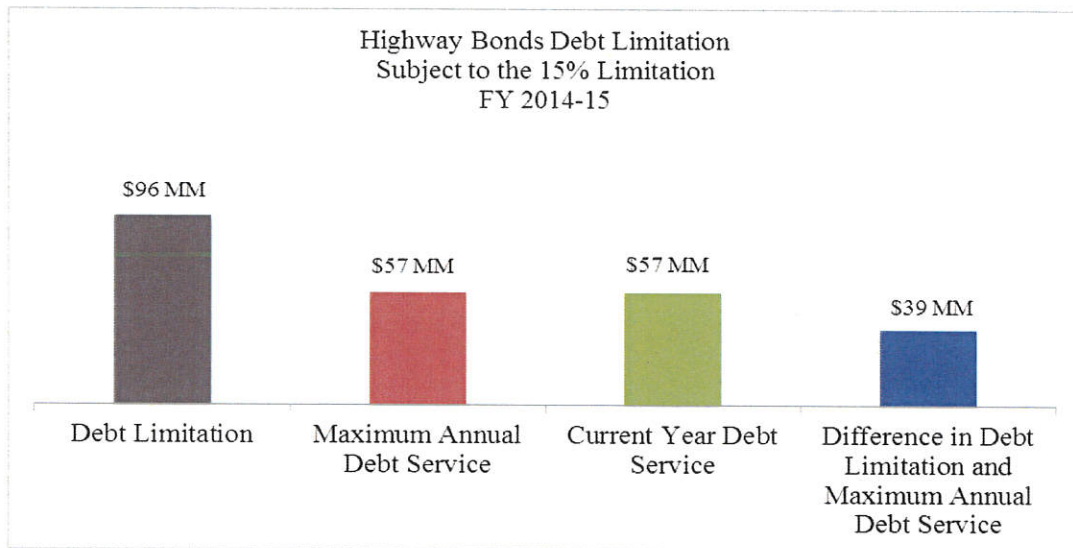
Inasmuch as these bonds were authorized in 2009 and not issued until 2010, the debt service history of these bonds consists of \$11,838,075 in Fiscal Year 2011, \$11,588,075 in Fiscal Year 2012, \$11,417,075 in Fiscal Year 2013, and \$11,213,325 in Fiscal Year 2014.

State Highway Bonds. The constitution further provides for the issuance of general obligation debt for highway purposes if the debt is additionally secured by a pledge of so much of the

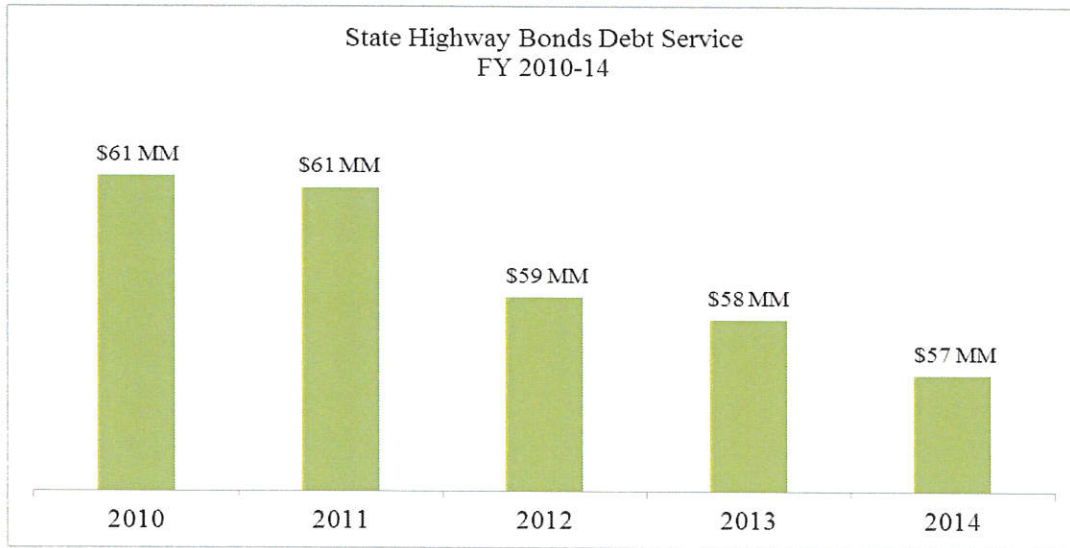
revenues as designated by the General Assembly for state highway purposes from any and all taxes or licenses imposed upon individuals or vehicles for the privilege of using the public highways of the state. The maximum annual debt service on all State Highway Bonds must not exceed 15% of those sources of revenue for the immediately preceding fiscal year. Such amounts include certain user fees and taxes imposed on motor fuels and the motor vehicle license tax imposed upon the owners of motor and other vehicles.

As of June 30, 2014, the total amount of debt outstanding for state highway bonds was \$317,765,000, with associated maximum annual debt service of \$57,301,669, which was 8.93% of the total revenues designated for highway purposes of \$641,627,152. Accordingly, the state was in compliance with the 15% constitutional limitation.

The following chart reflects the debt limit, the debt service constraint, current year debt service, and the remaining capacity for this class of debt.



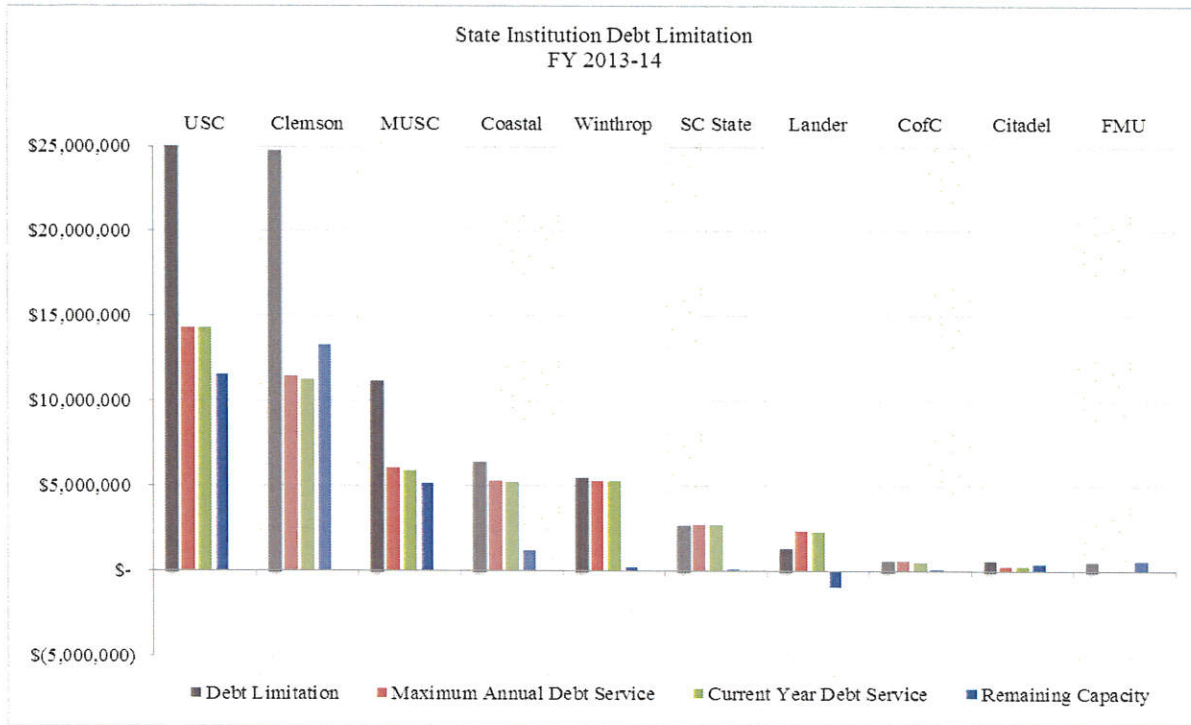
The following chart reflects a history of debt service over the past 5 years for this class of debt.



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 June 30, 2014, 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.



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 Type	Debt Service Last 5 Years (In Thousands)				
	2010	2011	2012	2013	2014
State Institution Bonds					
Citadel	254	251	257	253	253
Clemson	5,994	6,000	8,720	8,934	8,856
College of Charleston	502	503	509	519	524
Coastal Carolina	1,419	5,404	5,317	5,260	5,248
Francis Marion	-	-	-	-	-
Lander	1,368	1,363	1,362	1,356	1,545
SC State	2,724	2,719	2,715	2,714	2,712
University of SC	11,912	11,910	14,191	13,291	13,226
Winthrop	4,838	4,823	4,764	4,971	5,030
MUSC	5,107	5,073	6,040	6,143	6,092

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 June 30, 2014 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.

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.

Tobacco Settlement Asset-Backed Bonds. Pursuant to the Tobacco Settlement Revenue Management Authority Act, the State transferred to the Tobacco Settlement Revenue Management Authority all of its right, title, and interest in payments due to the State after June 30, 2001, under the Master Settlement Agreement, entered into among the participating cigarette manufacturers (the "PMs"), 46 states, and six other U.S. jurisdictions on November 23, 1998, in connection with the settlement of certain smoking-related litigation, including the State's rights to receive certain payments to be made by the PMs under the MSA. On March 18, 2001, the Authority issued \$934,530,000 aggregate principal amount of Tobacco Settlement Asset-Backed Bonds pursuant to an indenture between the Authority and United States Trust Company of New York (subsequently acquired by The Bank of New York Mellon Trust Company, N.A.), as Trustee, dated as of March 1, 2001, and the Tobacco Settlement Revenue Management Authority Act. On June 26, 2008, the Authority defeased a portion of the outstanding principal amount of the Series 2001 Tobacco Bonds by depositing a portion of the proceeds of its \$275,730,000 Tobacco Settlement Revenue Asset-Backed Refunding Bonds, Series 2008, together with other available monies, with The Bank of New York Mellon Trust Company, N.A., as Trustee for the Series 2001 Tobacco Bonds, pursuant to the terms of an irrevocable Escrow Agreement dated June 26, 2008, by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as Trustee for the Series 2001 Tobacco Bonds. The Series 2008 Tobacco Bonds are secured by and payable from the TSRs and all investment earnings on and amounts on deposit in certain accounts established under the Indenture. Tobacco bond payments are special obligations of the Authority payable from and secured entirely by TSRs. The Series 2008

Tobacco Bonds are not a debt of the State, and do not constitute a debt or a pledge of the faith and credit of the State. As of June 1, 2012, all of the State's Tobacco Bonds had been retired or defeased.

Lease Revenue Bonds. The State Budget and Control Board is empowered by certain legislative acts to issue lease and installment purchase revenue bonds. These bonds are payable from the lease and installment purchase revenues provided by the facilities purchased with the proceeds of such bonds.

Revenue Class	Principal Outstanding
State Transportation Infrastructure Bank	\$ 1,902,065,000
Revenue Bonds and Notes for Institutions of Higher Learning	1,068,214,903
State Ports Authority	167,491,000*
State Education Assistance Authority	56,980,000*
MUSC Hospital	401,023,981*
Public Service Authority	6,544,850,000*
State Housing Finance and Development Authority	539,249,000*
Educational Facilities Authority	246,203,000*
Heritage Trust	12,320,000
Tobacco Settlement Revenue Management Authority	-
Lease Revenue	9,355,000

*State CAFR: June 30, 2014. 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.

For additional information, please contact Kevin Kibler, Assistant State Treasurer, Debt Management, 122 Wade Hampton Office Building, Capitol Complex, Columbia, South Carolina 29201 (telephone: 803-734-1391; email: Kevin.Kibler@sto.sc.gov).