

KANSAS LEGISLATIVE RESEARCH DEPARTMENT

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February 7, 2007

To: Senate Committee on Commerce
From: Kathie Sparks, Principal Analyst
Re: SB 193, Requirement for Annual State Debt Report

SB 193 would require the Kansas Development Finance Authority (KDFA) to annually prepare a debt affordability report. The report would include the following:

- A listing of state debt outstanding, other debt secured by state revenues, and other contingent debt;
- An estimate of revenues available for the next ten fiscal years to pay debt service including general revenues plus any revenues specifically pledged to pay debt service;
- An estimate of additional debt issuance for the next ten fiscal years for the state's existing borrowing programs;
- A schedule of the annual debt service requirements, including principal and interest allocation, on the outstanding state debt and an estimate of the annual debt service requirements on the debt included if the additional state tax-supported debt service exceeds 7 percent;
- An overview of the state's general obligation credit rating;
- Identification and calculation of pertinent debt ratios, including debt service to revenues available to pay debt service, debt to personal income, and debt per capita for the state's net tax supported debt;
- The estimated debt capacity available over the next ten fiscal years without the benchmark debt ratio of debt service to revenue exceeding 6 percent; and
- A comparison of the state's debt service to revenues available to pay debt service, debt to personal income, and debt per capita for the state's net tax supported debt against the same ratios for the ten most populous states.

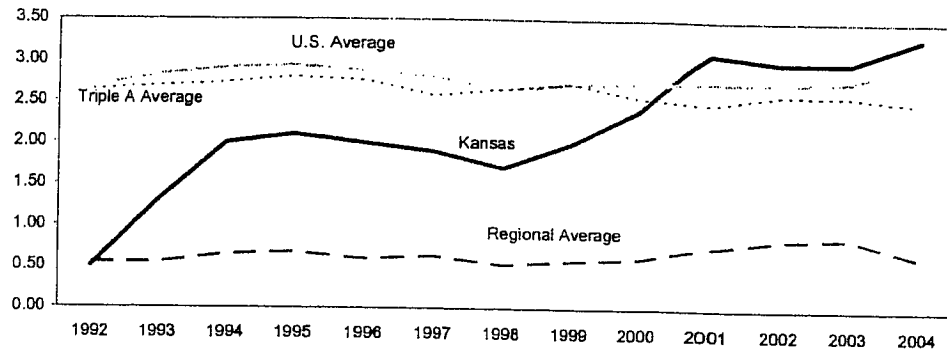
KDFA would be required to update the report once the revenue estimates are made available for the legislative session each year. In addition, any entity issuing debt secured by state revenues would be required to provide any information necessary to prepare the report and any failure to comply with the report would not affect the validity of any debt or the authorization of such debt.

2/21/10
The bill states that the Legislature declares that it is the policy of this state to exercise prudence in undertaking the authorization and issuance of debt. In order to implement this policy, the Legislature desires to authorize the issuance of additional state tax-supported debt only when such authorization would not cause the ratio of debt service to revenue available to pay debt service on tax-supported debt to exceed 6 percent. If the 6 percent target debt ratio would be exceeded, the authorization would be required to have an accompanied legislative statement of determination that such authorization and issuance is in the best interest of the state and should be implemented.

Finally, the bill would require that the Legislature not authorize the issuance of additional state tax-supported debt exceeding 7 percent unless the Legislature determines that such additional debt is necessary to address a critical state emergency.

KLS/kal

Figure 16: Tax-Supported Debt as a Percent of Personal Income Years, 1992 to 2004



	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Kansas	0.50	1.30	2.00	2.10	2.00	1.90	1.70	2.00	2.40	3.10	3.00	3.00	3.30
U.S. Average*	2.69	2.83	2.91	2.94	2.88	2.80	2.65	2.73	2.73	2.75	2.75	2.78	3.05
Regional Average	0.55	0.55	0.65	0.68	0.60	0.635	0.53	0.58	0.61	0.75	0.85	0.88	0.65
Triple-A Average	2.64	2.69	2.73	2.80	2.76	2.58	2.66	2.73	2.56	2.49	2.61	2.60	2.51

Source: Moody's Investors Service; * difference between reported U.S. average in Figure 18 and computed mean may be due to rounding off of numbers. Triple-A states vary by year.

Figure 16 shows annual net tax-supported debt as a percent of personal income for Kansas and three comparison groupings: the U.S. average; the average of the four surrounding states; and, the average of states with the top credit rating. Since 2001, Kansas is the highest of all three groupings, reaching a peak of 3.3 percent in 2004, well above the U.S. average for all states of 3.05 percent, regional average of 0.65 percent, as well as the Triple-A average of 2.51 for the same year. The table also shows two surges of increase corresponding to the implementation timeline of the first major highway program in 1989 and the second Comprehensive Transportation Plan adopted in 1999. While Kansas consistently placed above the regional average since 1992, the state did not exceed the national average until 2001.

Compared to Kansas, the surrounding states of Oklahoma, Missouri, Colorado, and Nebraska all have a lower ranking of net tax-supported debt per capita as a percent of personal income. Based on these figures, the debt burden per individual citizen is higher in Kansas than in the surrounding states. One contributing factor is the State's population, which is among the lowest 20 states in the country. Population impacts a state's infrastructure needs. When consisting of a relatively small percentage of the state's land area, the population bears the heavier debt burden associated with higher infrastructure demands such as miles of roads and bridges. Moreover, the quality of services and infrastructure may differ substantially.

Kansas' higher debt burden is a significant factor in assessing the State's long-term financial health. The State has limited debt capacity in the future since Kansas citizens already pay a larger percentage of their personal incomes for state debt in comparison to other regional states. Carried to an extreme, if debt burden is a

2003			2004		
Rank	State	Percent	Rank	State	Percent
1	Hawaii	10.4%	1	Hawaii	10.4%
2	Massachusetts	8.4%	2	Massachusetts	8.4%
3	Connecticut	8.1%	3	Connecticut	8.4%
4	New York	5.8%	4	New York	6.7%
5	New Jersey	5.5%	5	New Jersey	5.9%
6	Mississippi	5.4%	6	Illinois	5.8%
7	Delaware	4.9%	7	Delaware	5.6%
8	Rhode Island	4.8%	8	Mississippi	5.2%
9	Washington	4.6%	9	Washington	4.9%
10	Kentucky	4.3%	10	Oregon	4.5%
11	West Virginia	4.0%	11	Wisconsin	4.5%
12	New Mexico	3.5%	12	Rhode Island	4.4%
13	Florida	3.3%	13	Kentucky	4.4%
14	Wisconsin	3.2%	14	New Mexico	4.1%
15	Illinois	3.1%	15	West Virginia	3.6%
16	Kansas	3.0%	16	Utah	3.5%
17	Vermont	2.9%	17	Florida	3.5%
18	Utah	2.8%	18	Kansas	3.3%
19	Georgia	2.8%	19	California	3.2%
20	Maryland	2.7%	20	Alaska	3.0%
21	Louisiana	2.6%	21	Maryland	3.0%
22	Ohio	2.6%	22	Georgia	2.9%
23	California	2.5%	23	Ohio	2.7%
24	South Carolina	2.3%	24	Louisiana	2.6%
25	Pennsylvania	2.2%	25	Vermont	2.5%
26	Alabama	2.1%	26	South Carolina	2.4%
27	Arizona	2.1%	27	Arizona	2.3%
28	Minnesota	1.8%	28	Pennsylvania	2.2%
29	Michigan	1.8%	29	Michigan	2.2%
30	Maine	1.7%	30	Minnesota	2.0%
31	Virginia	1.7%	31	North Carolina	2.0%
32	Oregon	1.6%	32	Nevada	2.0%
33	North Carolina	1.5%	33	Alabama	2.0%
34	New Hampshire	1.4%	34	Arkansas	1.8%
35	Arkansas	1.4%	35	Maine	1.8%
36	Nevada	1.4%	36	Virginia	1.7%
37	Montana	1.3%	37	Missouri	1.6%
38	Missouri	1.3%	38	New Hampshire	1.5%
39	Oklahoma	1.2%	39	Indiana	1.3%
40	Indiana	1.1%	40	Montana	1.3%
41	Colorado	0.9%	41	Oklahoma	1.2%
42	Texas	0.9%	42	South Dakota	0.9%
43	Wyoming	0.8%	43	Colorado	0.9%
44	North Dakota	0.8%	44	North Dakota	0.9%
45	Tennessee	0.8%	45	Wyoming	0.8%
46	South Dakota	0.7%	46	Tennessee	0.8%
47	Iowa	0.6%	47	Texas	0.8%
48	Idaho	0.3%	48	Iowa	.05%
49	Alaska	0.3%	49	Idaho	0.5%
50	Nebraska	0.1%	50	Nebraska	0.1%
	MEAN:	2.7%		MEAN:	3.1%
	MEDIAN:	2.2%		MEDIAN:	2.4%

Source: Moody's Special Comment (April 2001, May 2002, July 2003).
Note: Personal income figures were released by the U.S. Bureau of Economic Analysis. 2002 percentages are based on 2000 personal income figures, 2001 percentages are based on 1999 personal income; * Issuer rating; ** NGO (No GO rating equivalent requested).

Figure 15: Net Tax-Supported Debt as a Percent of Personal Income, 2001 to 2004

2001			2002		
Rank	State	Percent	Rank	State	Percent
1	Hawaii	11.0%	1	Hawaii	10.4%
2	Massachusetts	8.5%	2	Massachusetts	8.6%
3	Connecticut	8.0%	3	Connecticut	8.0%
4	New York	6.2%	4	New York	5.9%
5	New Jersey	5.5%	5	New Jersey	5.6%
6	Delaware	5.5%	6	Delaware	5.3%
7	Rhode Island	5.3%	7	Rhode Island	5.2%
8	Mississippi	4.6%	8	Mississippi	4.7%
9	Washington	4.4%	9	Washington	4.4%
10	Kentucky	4.4%	10	Kentucky	4.3%
11	West Virginia	4.2%	11	New Mexico	4.0%
12	New Mexico	4.0%	12	West Virginia	4.0%
13	Florida	3.3%	13	Florida	3.4%
14	Vermont	3.3%	14	Vermont	3.0%
15	Wisconsin	3.2%	15	Kansas	3.0%
16	Kansas	3.1%	16	Utah	3.0%
17	Utah	2.8%	17	Wisconsin	3.0%
18	Illinois	2.7%	18	Georgia	2.9%
19	Georgia	2.6%	19	Illinois	2.8%
20	Maryland	2.6%	20	Ohio	2.6%
21	Ohio	2.6%	21	Maryland	2.6%
22	Louisiana	2.5%	22	South Carolina	2.5%
23	California	2.5%	23	California	2.5%
24	Alabama	2.2%	24	Louisiana	2.4%
25	Pennsylvania	2.2%	25	Pennsylvania	2.3%
26	Maine	2.0%	26	Alabama	2.2%
27	Virginia	1.9%	27	Arizona	1.9%
28	Minnesota	1.8%	28	Maine	1.9%
29	Nevada	1.8%	29	Virginia	1.8%
30	South Carolina	1.8%	30	Minnesota	1.8%
31	Montana	1.7%	31	Nevada	1.7%
32	Arizona	1.6%	32	Montana	1.6%
33	Michigan	1.6%	33	Oregon	1.5%
34	Oregon	1.6%	34	New Hampshire	1.5%
35	New Hampshire	1.5%	35	Michigan	1.5%
36	Oklahoma	1.4%	36	Wyoming	1.4%
37	North Carolina	1.4%	37	North Carolina	1.4%
38	Tennessee	1.2%	38	Missouri	1.3%
39	Arkansas	1.2%	39	Oklahoma	1.3%
40	South Dakota	1.2%	40	Arkansas	1.2%
41	Missouri	1.1%	41	Indiana	1.1%
42	Indiana	1.1%	42	South Dakota	0.9%
43	Wyoming	1.0%	43	Tennessee	0.9%
44	Texas	1.0%	44	North Dakota	0.9%
45	North Dakota	0.9%	45	Texas	0.9%
46	Alaska	0.4%	46	Colorado	0.7%
47	Colorado	0.4%	47	Iowa	0.6%
48	Iowa	0.4%	48	Alaska	0.4%
49	Idaho	0.3%	49	Idaho	0.4%
50	Nebraska	0.1%	50	Nebraska	0.1%
	MEAN:	3.0%		MEAN:	2.7%
	MEDIAN:	2.1%		MEDIAN:	2.3%

2003				2004			
Rank	State	Amount	Rating	Rank	State	Amount	Rating
1	Connecticut	\$3,440	Aa3	1	Connecticut	\$3,558	Aa3
2	Massachusetts	\$3,298	Aa2	2	Massachusetts	\$3,333	Aa2
3	Hawaii	\$3,111	Aa3	3	Hawaii	\$3,101	Aa3
4	New Jersey	\$2,110	Aa2	4	New York	\$2,420	A2
5	New York	\$2,095	A2	5	New Jersey	\$2,332	Aa2
6	Delaware	\$1,599	Aaa	6	Illinois	\$1,943	Aa3
7	Rhode Island	\$1,508	Aa3	7	Delaware	\$1,800	Aaa
8	Washington	\$1,507	Aa2	8	Washington	\$1,580	Aa1
9	Mississippi	\$1,207	Aa3	9	Rhode Island	\$1,307	Aa3
10	Kentucky	\$1,095	Aa2**	10	Wisconsin	\$1,325	Aa3
11	Illinois	\$1,040	Aa3	11	Oregon	\$1,281	Aa3
12	Florida	\$985	Aa2	12	Mississippi	\$1,169	Aa3
13	Maryland	\$977	Aaa	13	Kentucky	\$1,119	Aa2**
14	Wisconsin	\$958	Aa3	14	Maryland	\$1,077	Aaa
15	West Virginia	\$950	Aa3	15	California	\$1,060	Baa1
16	Vermont	\$861	Aa1	16	Florida	\$1,023	Aa2
17	Kansas	\$860	Aa1**	17	Kansas	\$963	Aa1**
18	New Mexico	\$844	Aa1	18	New Mexico	\$962	Aa1
19	California	\$810	A2	19	Alaska	\$962	Aa2
20	Georgia	\$802	Aaa	20	West Virginia	\$859	Aa3
21	Ohio	\$750	Aa1	21	Utah	\$846	Aaa
22	Pennsylvania	\$693	Aa2	22	Georgia	\$827	Aaa
23	Utah	\$682	Aaa	23	Ohio	\$806	Aa1
24	Louisiana	\$650	A2	24	Vermont	\$724	Aa1
25	Minnesota	\$625	Aa1	25	Pennsylvania	\$711	Aa2
26	South Carolina	\$587	Aaa	26	Minnesota	\$691	Aa1
27	Virginia	\$546	Aaa	27	Michigan	\$670	Aa1
28	Michigan	\$542	Aaa	28	Louisiana	\$661	A1
29	Alabama	\$540	Aa3	29	South Carolina	\$599	Aaa
30	Arizona	\$539	NGO	30	Arizona	\$591	NGO**
31	New Hampshire	\$485	Aa2	31	Nevada	\$590	Aa2
32	Maine	\$471	Aa2	32	North Carolina	\$556	Aa1
33	Oregon	\$454	Aa3	33	Virginia	\$546	Aaa
34	North Carolina	\$429	Aa1	34	Alabama	\$505	Aa3
35	Nevada	\$413	Aa2	35	New Hampshire	\$495	Aa2
36	Missouri	\$368	Aaa	36	Maine	\$492	Aa2
37	Montana	\$329	Aa3	37	Missouri	\$461	Aaa
38	Arkansas	\$328	Aa2	38	Arkansas	\$420	Aa2
39	Oklahoma	\$302	Aa3	39	Indiana	\$361	Aa1**
40	Indiana	\$300	Aa1**	40	Oklahoma	\$315	Aa3
41	Colorado	\$295	NGO	41	Montana	\$311	Aa3
42	Wyoming	\$256	NGO	42	Colorado	\$307	NGO**
43	Texas	\$246	Aa1	43	South Dakota	\$254	NGO**
44	North Dakota	\$223	Aa3**	44	Wyoming	\$250	NGO**
45	Tennessee	\$222	Aa2	45	North Dakota	\$235	Aa3
46	South Dakota	\$190	NGO	46	Texas	\$220	Aa1
47	Iowa	\$156	Aa1**	47	Tennessee	\$220	Aa2
48	Alaska	\$94	Aa2	48	Iowa	\$139	Aa1**
49	Idaho	\$83	Aa3**	49	Idaho	\$83	Aa3**
50	Nebraska	\$38	NGO	50	Nebraska	\$43	NGO**
	MEAN:	\$838			MEAN:	\$944	
	MEDIAN:	\$606			MEDIAN:	\$701	

Source: Moody's Special Comment (June 23, 2004); their calculations.
Note: NGO (No General Obligation rating equivalent requested); ** Issuer Rating; * computed based on figures: population figures taken from the U.S. Census Bureau.

Figure 13: Net Tax-Supported Debt per Capita, Years 2001 to 2004

2001				2002			
Rank	State	Amount	Rating	Rank	State	Amount	Rating
1	Connecticut	\$3,037	Aa2	1	Massachusetts	\$3,267	Aa2
2	Hawaii	\$2,987	Aa3	2	Connecticut	\$3,240	Aa2
3	Massachusetts	\$2,957	Aa2	3	Hawaii	\$2,936	Aa3
4	New York	\$2,020	A2	4	New Jersey	\$2,066	Aa2
5	New Jersey	\$1,935	Aa1	5	New York	\$2,045	A2
6	Delaware	\$1,616	Aaa	6	Delaware	\$1,650	Aaa
7	Rhode Island	\$1,497	Aa3	7	Rhode Island	\$1,552	Aa3
8	Washington	\$1,316	Aa1	8	Washington	\$1,383	Aa1
9	Kentucky	\$999	Aa2**	9	Kentucky	\$1,046	Aa2**
10	Mississippi	\$918	Aa3	10	Mississippi	\$996	Aa3
11	Florida	\$883	Aa2	11	Florida	\$959	Aa2
12	West Virginia	\$878	Aa3	12	Illinois	\$908	Aa2
13	Wisconsin	\$859	Aa3	13	Maryland	\$879	Aaa
14	New Mexico	\$843	Aa1	14	New Mexico	\$879	Aa1
15	Vermont	\$828	Aa1	15	West Virginia	\$867	Aa3
16	Maryland	\$819	Aaa	16	Wisconsin	\$834	Aa3
17	Illinois	\$815	Aa2	17	Kansas	\$824	Aa1**
18	Kansas	\$802	NGO	18	Vermont	\$813	Aa1
19	California	\$733	Aa2	19	Georgia	\$804	Aaa
20	Ohio	\$698	Aa1	20	California	\$795	A1
21	Georgia	\$679	Aaa	21	Ohio	\$749	Aa1
22	Utah	\$637	Aaa	22	Utah	\$708	Aaa
23	Pennsylvania	\$603	Aa2	23	Pennsylvania	\$671	Aa2
24	Louisiana	\$565	A2	24	South Carolina	\$615	Aa2
25	Minnesota	\$546	Aaa	25	Minnesota	\$576	Aaa
26	Virginia	\$537	Aaa	26	Louisiana	\$570	A2
27	Alabama	\$506	Aa3	27	Virginia	\$566	Aaa
28	Nevada	\$502	Aa2	28	Alabama	\$526	Aa3
29	Maine	\$487	Aa2	29	Nevada	\$524	Aa2
30	New Hampshire	\$463	Aa2	30	New Hampshire	\$503	Aa2
31	Michigan	\$449	Aaa	31	Arizona	\$495	NGO
32	Oregon	\$417	Aa2	32	Maine	\$486	Aa2
33	South Carolina	\$398	Aaa	33	Michigan	\$438	Aaa
34	Arizona	\$382	NGO	34	Oregon	\$437	Aa2
35	Montana	\$361	Aa3	35	Wyoming	\$388	NGO
36	North Carolina	\$340	Aaa	36	North Carolina	\$375	Aaa
37	Oklahoma	\$320	Aa3	37	Montana	\$358	Aa3
38	Tennessee	\$308	Aa1	38	Missouri	\$347	Aaa
39	South Dakota	\$291	NGO	39	Oklahoma	\$297	Aa3
40	Missouri	\$288	Aaa	40	Indiana	\$296	Aa1**
41	Indiana	\$283	Aa1**	41	Arkansas	\$268	Aa2
42	Arkansas	\$260	Aa2	42	Colorado	\$245	NGO
43	Texas	\$251	Aa1	43	South Dakota	\$244	NGO
44	Wyoming	\$250	NGO	44	Texas	\$238	Aa1
45	North Dakota	\$207	Aa3**	45	Tennessee	\$231	Aa2
46	Colorado	\$129	NGO	46	North Dakota	\$216	Aa3**
47	Alaska	\$127	Aa2	47	Iowa	\$166	Aa1**
48	Iowa	\$89	NGO	48	Alaska	\$112	Aa2
49	Idaho	\$78	NGO	49	Idaho	\$86	Aa3**
50	Nebraska	\$25	NGO	50	Nebraska	\$34	NGO
	MEAN:	\$820			MEAN:	\$810	
	MEDIAN:	\$541			MEDIAN:	\$573	

Indebtedness of the State of Kansas*
FY 1997 - FY 2007

<u>Fiscal Year</u>	<u>Bonds</u>	<u>Loans Outstanding Pooled Money Investment Board</u>
FY 1997	1,152,418,451	22,990,547
FY 1998	1,160,485,487	20,702,751
FY 1999	1,320,116,565	15,958,280
FY 2000	1,427,911,190	11,113,248
FY 2001	1,781,202,105	8,375,230
FY 2002	2,506,059,479	6,775,233
FY 2003	2,334,940,984	5,700,380
FY 2004	2,519,100,301	3,314,541
FY 2005	3,713,838,876	4,861,506
FY 2006	3,830,183,786 **	727,995
FY 2007	<u>3,951,759,149</u>	2,875,000
Change FY 1997 to FY 2007	\$2,799,340,698	
Percent Change	242.9%	

* Principal balance as of the end of the fiscal year.

** In addition, there is authorized but unissued debt of \$272,856,607.

Source: *Comparison Report*, Kansas Division of the Budget.