



Kansas Debt Explosion

"We must not let our rulers load us with perpetual debt."
-- Thomas Jefferson (letter to Samuel Kercheval, 7/12/1816)

February 14, 2007

I am Alan Cobb, Kansas State Director of Americans for Prosperity, and we support SB 193.

More disclosure and information about the levels of state debt is welcome. This bill will provide a very helpful tool to legislators as they consider debt as a finance option.

Particularly important are the safeguards contained in sections (2) and (3) which states a goal of having debt service not exceed 6% of revenue available to pay the debt.

According to the Governor's FY 2008 budget, SGF debt service is \$67.8MM; non-SGF debt service is \$200.6MM; off-budget debt service is \$3.4MM; Pooled-money investment loan debt service, \$1MM; off-budget PMIB loan debt service, \$2.4MM; master lease program debt service, \$3.7MM; off-budget master lease program debt service, \$800,000; Facilities conservation improvement program debt service, \$4MM.

The all-state funds budget, the money available to pay state debt, is about \$9 billion year. Thus, the State debt service of \$284MM is in the 3% range.

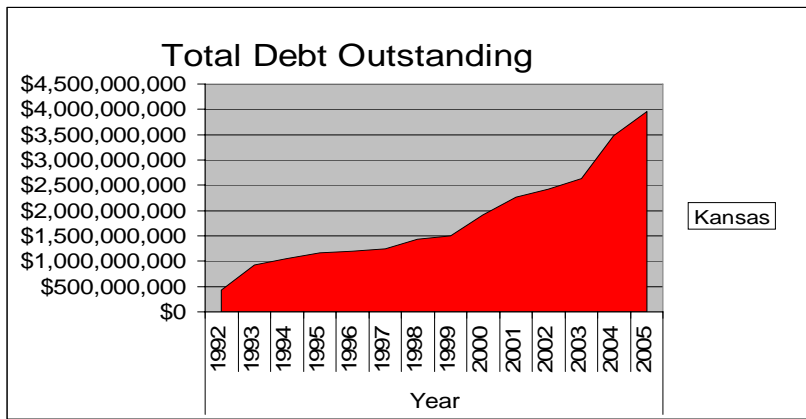
It would be helpful if local governments would adopt a similar policy. While state debt is around \$4 billion, local government non-IRB debt in Kansas is around \$8 billion and is increasing.

All of the measures that Moody's uses got worse for Kansas in the last two years. (from the '04 report to the new '06 report).

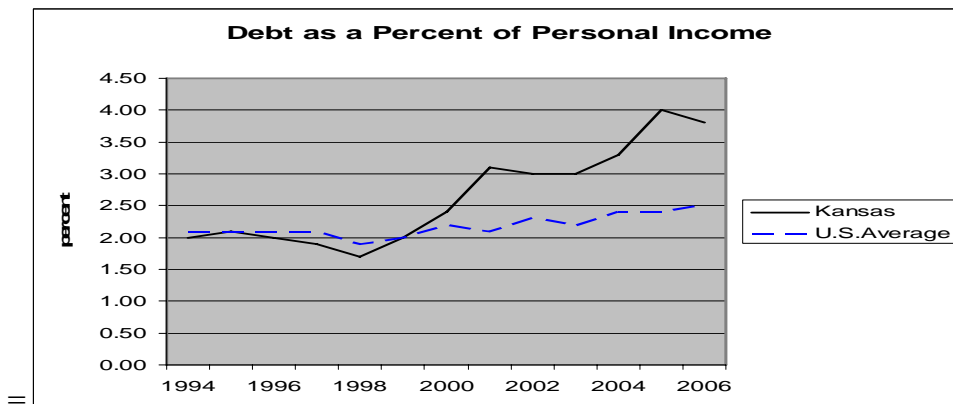
As you know, Moody's does not care so much about total debt, because that is not a measure of a states ability to pay. So, measures like debt per capita, debt as a % of personal income, etc all got worse, especially compared to our neighbors.

Kansas Debt Facts

- Kansas debt has increased 832% since 1992, from \$424 million in 1992 to \$3.95 billion in 2006. Kansas debt increased 32% between 2003 and 2004 alone.
- Kansas ranks the 2nd in the growth of debt as a percent of personal income: 1992-2006 (660% increase).
- During this same time ('92-'06) 19 states actually DECREASED their debt as a percent of personal income. (Moody's Investors Service, 2006)



- Kansas' debt per capita is much higher than ALL its surrounding states. (*Moody's Special Comment, April 2006*)
 - Kansas \$1,169 per person
 - Missouri \$496 per person
 - Oklahoma \$395 per person
 - Nebraska \$27 per person
- Kansas debt as a percent of personal income has increased 660% between 1992-2006. During this same time, the US average increase was only 13%. (*Moody's Investor Service 2006*)



- Kansas' debt as a percent of personal income is considerably higher than ALL the surrounding states (*Moody's Special Comment, June 23, 2006*).
 - Kansas 3.8%
 - Missouri 1.6%
 - Oklahoma 1.4%
 - Colorado 0.9%
 - Nebraska 0.1%

