Approved: November 1, 2000
Date

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairperson David Adkins at 9:50 a.m. on April 19, 2000, in Room 514-S of the Capitol.

All members were present except: Representative Allen - excused
Representative Peterson - excused
Representative Pottorff - excused

Committee staff present: Alan Conroy, Kansas Legislative Research Department
Stuart Little, Kansas Legislative Research Department
Robert Waller, Kansas Legislative Research Department
Kathie Sparks, Kansas Legislative Research Department
Robert Chapman, Kansas Legislative Research Department
Paul West, Kansas Legislative Research Department
Carolyn Rampey, Kansas Legislative Research Department
Jim Wilson, Revisor of Statutes Office
Mike Corrigan, Revisor of Statutes Office
Dave Stallings, Assistant to the Chairman
Mary Shaw, Committee Secretary

Conferees appearing before the committee:
Albert Murray, Commissioner, Juvenile Justice Authority
Barbara S. Tombs, Executive Director, Kansas Sentencing Commission
Charles E. Simmons, Secretary, Department of Corrections
Kathleen Porter, Office of Judicial Administration, Judicial Branch
Ken Frahm, President, Kansas Development Finance Authority
Leslie Casson, Financial Analyst, Kansas Development Finance Authority
Rebecca Floyd, General Counsel, Kansas Development Finance Authority
Shelby Smith, Kansas Tobacco Free Coalition

Others attending: See attached list.

Chairman Adkins opened the meeting with a moment of quite reflection in remembrance of the 5th Anniversary of the Oklahoma City bombing where 168 people lost their lives.

Staff Overview of Social and Rehabilitation Services, Aging Caseloads and Waiting Lists

Chairman Adkins introduced Kathie Sparks of the Kansas Legislative Research Department who reviewed with the Committee a handout, Estimated Funding Shortfalls In SRS and Aging (Attachment 1). Committee questions and discussion followed.

Juvenile Justice Authority Issues

Chairman Adkins introduced Robert Chapman, Kansas Legislative Research Department, who briefed the Committee on the following information:

- Prevention Grants to Communities (Attachment 2)
- Juvenile Correctional Facility Building Initiatives - FY 2001, Comparison of House Budget Committee and JJA Positions (Attachment 3)
- Juvenile Justice - Capital Improvements (Attachment 4)

Chairman Adkins introduced Albert Murray, Commissioner, Juvenile Justice Authority who spoke regarding the Juvenile Justice Authority Prevention Funding Formula. Commissioner Murray mentioned that the Joint Committee on Corrections and Juvenile Justice Oversight, as well as the House Public Safety Budget Committee, recommended that he examine the current funding formula and revisit or devise a new formula that addresses additional values or objectives. In Commissioner Murray's handout, he detailed the Prevention Funding Formula, the Juvenile Correctional Facility Construction Projects and the Alternatives (Attachment 5).

Commissioner Murray distributed additional information regarding Juvenile Justice Authority, Major Initiatives - FY 2001 Capital Improvement Projects (Attachment 6). Detailed Committee questions and discussion followed. Representative Landwehr requested information regarding a copy of the study done through Wichita State University showing that the high school dropout rate most accurate indicator that a juvenile would become a juvenile offender. Representative Landwehr also mentioned that one of the reasons mentioned for looking at the formula change was to reward successful prevention programs and she requested information on how JJA is measuring the success of the programs, what the programs are and where the statistics for the programs are going.

The following letters were distributed by Staff from the office of Thaine Hoffman, AIA, Director, Kansas Department of Administration, Division of Architectural Services, regarding the New Juvenile Justice Authority Maximum Security Facility at Topeka and the Medium Security Facility at Larned as follows (Attachment 7):

1.) Letter addressed to Paul West, Kansas Legislative Research Department
2.) Letter addressed to Gary Karst, Horst Terrill Karst Architects and Dave Hoefer, Hoefer Wysocki Architects
3.) Letter addressed to Dave Wysocki, Hoefer Wysocki Architects and Gary Karst, Horst Terrill Karst Architects

Staff distributed copies of the Community Planning Team Funding (Attachment 8).

Chairman Adkins requested that staff distribute a copy of the Kansas Judicial Districts (Attachment 9). The Chairman explained prevention philosophy to help understand what he sees as defining the components of any formula as necessary to address a full prevention mentality. He mentioned that prevention can be divided into three areas:

- Primary prevention - those prevention programs which are applicable to all youth that live within a community.
- Secondary prevention - focused on youth that demonstrate some risk for becoming offenders.
- Tertiary prevention - for youth that have already gotten in trouble and need additional support to prevent themselves from re-offending.

The Chairman mentioned that the policy choice is to recognize that prevention has primary, secondary and tertiary elements and to determine to what extent to fund programs in all three of those as part of the comprehensive community plan and what indicators are needed to help define what is an appropriate allocation in each one of those elements. Committee questions and discussion followed.

Chairman Adkins thanked Commissioner Murray for appearing before the Committee.

Adult Correction Issues

The Chairman introduced Stuart Little, Kansas Legislative Research Department, who briefed the Committee regarding the **House Substitute for Senate Bill 323** – Corrections Mega Bill. (Attachment 10)

Chairman Adkins introduced Barbara Tombs, Executive Director, Kansas Sentencing Commission, who spoke regarding the **House Substitute for SB 323** which contains the provisions of **SB 490**, **SB 491** and **SB 665**, all of which deal with various changes to sentencing practices under the Sentencing Guidelines Act and appropriations for certain capital improvement projects for the Department of Corrections. She detailed the provisions of **SB 490**, **SB 491** and **SB 665** (Attachment 11). Ms. Tombs also distributed additional information regarding the Sentencing Range, Prison Admissions and Violators and Release (Attachment 12). The Chairman thanked Ms. Tombs for appearing before the Committee.

Chairman Adkins introduced Charles E. Simmons, Secretary, Department of Corrections, who spoke regarding an Alternative Corrections Proposal (Attachment 13). Secretary Simmons noted in his testimony that the proposal is offered as a reasonable, balanced, compromise in addressing inmate crowding issues in that it includes capacity expansion, community alternatives, and revisions to sentencing laws. The specifics of the proposed amendments to the **SB 323** plan are contained in Secretary Simmons' testimony. Committee questions and discussion followed. The Chairman thanked Secretary Simmons for appearing before the Committee.

Chairman Adkins introduced Kathleen Porter, Office of Judicial Administration, Judicial Branch, who addressed the portion of **SB 323** that used to be **SB 490**. It was noted that the target offender population for community corrections programs include adult offenders convicted of felony offenses as listed in a letter from Jerry Sloan, Budget and Fiscal Officer, Office of Judicial Administration to Duane A. Goossen, Director of the Budget. It is noted in the letter that felons who fall outside of this target population would be supervised by court services (Attachment 14). Ms. Porter mentioned that she is concerned that court services officers in urban areas currently have caseloads of 153 and that adding to those caseloads would not be good public policy. Ms. Porter submitted an ASIP Summary Report as of January, 2000, from Wyandotte County, the only urban area she could get an answer of how many people are now being served by community corrections who would go to court services was from Wyandotte County (Attachment 15) and she is not sure that they are representative of the whole state, but she is concerned. Ms. Porter noted that she would be more comfortable if she had figures statewide. Caseloads under the bill's provisions would be inappropriate for court services divisions. Ms. Porter also distributed information regarding Sentencing Guidelines by Severity Level - Selected Offenses (Attachment 16). Committee questions and discussion followed. The Chairman thanked Ms. Porter for appearing before the Committee.

The meeting recessed at 12:45 p.m. The Committee reconvened at 2:00 p.m.

Securitization of Tobacco Settlement Proceeds

Chairman Adkins opened the public hearing on Securitization of Tobacco Settlement Proceeds.

The Chairman acknowledged Ken Frahm, President, Kansas Development Finance Authority. Mr. Frahm addressed the issue of risk avoidance. They perceive a significant risk to the State of Kansas, Kansas Endowment for Youth fund and Childrens' Initiatives Fund with regard to the money that they are expecting to receive from tobacco settlement receipts from the result of recent court action. KDFA feels they have a method to suggest to the Committee that can reduce that risk. Mr. Frahm explained that one of the things KDFA is not about, nor endeavoring to do with this proposed legislation, is having anything to do with the way in which Kansas proposes to spend money from the tobacco settlement receipts. Instead this legislation has to do with assuring that the money is there to be spent.

Mr. Frahm reviewed the Kansas Development Finance Authority Tobacco KEY Questions and Answers (Attachment 17). Mr. Frahm also distributed copies of Kansas Development Finance Authority Tobacco Settlement Securitization Proposal (Attachment 18). Additional information was also distributed regarding tobacco securitization (Attachment 19).

Mr. Frahm introduced Leslie Casson, Financial Analyst, Kansas Development Finance Authority, who detailed the Kansas Development Finance Authority Tobacco Settlement Securitization Proposal.

Mr. Frahm introduced Rebecca Floyd, General Counsel, Kansas Development Finance Authority who was available for questions and information. Committee questions and discussion followed the presentation. The Chairman thanked Mr. Frahm, Ms. Casson and Ms. Floyd for their presentation.

Chairman Adkins introduced Shelby Smith, Kansas Tobacco Free Coalition (Attachment 20). Mr. Smith mentioned that the Tobacco Free Kansas Coalition feels that the 1999 law should be re-examined and the 1998 law reconsidered. They feel that the challenge to allocating tobacco litigation proceeds is complex with far ranging consequences and cannot be addressed in a day or two. Mr. Smith mentioned that they understand the need for urgency on authorizing legislation, the limited market, negotiated sale, private placement, etc.; however, they are concerned about how the bond proceeds be distributed and how will the money be spent. Committee questions and discussion followed. Representative Ballard requested a copy of the questions asked in the statewide telephone poll noted on Attachment A of Mr. Smith's testimony.

There being no further conferees, the Chairman closed the public hearing on Securitization of Tobacco Settlement Proceeds.

Detailed questions and discussion followed regarding securitization. The Chairman noted that this is an issue that clearly needs full study.

Kansas Prevention Initiative and Children's Initiative Fund

Chairman Adkins turned the Committee's attention to a topic that he had proposed some time ago and that Staff has a number of documents that hopefully will help. He noted that the House has delayed consideration of the Children's Initiative Fund appropriations for the 2001 budget year until the omnibus and he had prompted that effort out of a concern that the Governor's Budget recommendations in this area did not reflect, in his view, or adhere to the spirit of the law as was passed last year. The Chairman distributed copies from 1999 Session Laws of Kansas for review (Attachment 21). He called the Committee's attention to page 1663, New Section 2 (b) and page 1665, New Section 3, (b). The Chairman noted that the Kansas Children's Cabinet took over review of the previously identified trust fund that is directed at funding a grant program for child abuse and neglect and those provisions focus on the language he is most interested in keeping in mind while considering the Children's Initiative Fund appropriations. The Chairman also noted that Carolyn Rampey, Kansas Legislative Research Department, prepared information titled Children's Initiatives Fund (Tobacco) regarding the Governor's recommendations and the Children's Cabinet's recommendations and that so far none of these recommendations have been acted upon (Attachment 22). Ms. Rampey also prepared information titled Children's Initiatives Fund, Program or Project on what was intended to be funded by the Governor's recommendations (Attachment 23). The Chairman noted that his intent is to appoint a subcommittee to report back to the full committee with regards to recommendations on Children's Initiative Fund spending and to look at more of the accountability piece which is included, he thinks, is included in the intention of the law last year. Chairman Adkins mentioned that it was his hope that this subcommittee will report back to the full committee with a bill that will help provide a leadership structure that is timely, given the nexus between the first major allocations from the Children's Initiative Fund, but truly trying to create a focal point for prevention leadership within state government. Chairman Adkins mentioned that he remains flexible in hearing any ideas that members of the Committee or the community might have that could help form this initiative in a way to make it a better, more useful and value-added component and not something that is perceived as a threat by any organization, agency or activity.

Chairman Adkins also distributed copies of Kansas Prevention Initiative: Kansas Center for Prevention Leadership, Making a Difference with Leadership and Accountability (Attachment 24) and Children's Research Council (Attachment 25).

The Chairman appointed the following to the subcommittee for the Children's Initiative Fund and Prevention Leadership: Representatives Adkins, Neufeld, Weber, Allen, Reardon, Nichols and Ballard. The Chairman charged them with the task of coming back to the full committee with their proposals with regards to spending the Children's Initiative Fund dollars and for their proposal with regards to Legislative enactment, if they deem it appropriate, for a Kansas Center for Prevention Leadership incorporating whatever of these ideas that they feel are appropriate for legislation.

The meeting was adjourned at 4:00 p.m. The next meeting is scheduled for April 20, 2000.

HOUSE APPROPRIATIONS COMMITTEE
GUEST LIST

DATE April 19, 2000

NAME	REPRESENTING
DENISE MUSSER	JJA
Cody Dealon	DOB
Scott Brunner	DOB
Susan Mahoney	Sen. Salisbury's Office
Linda Wood	KDFA
Ben Hales	JJA
Joyce Cussimanio	Ks. Children's Cabinet
Patrick J Hurley	KAAP
Jennifer Grow	Federico Consulting
[illegible]	Hein/Weir Chtd.
Jeff Bottenberg	Kansas Sheriffs' Ass'n
Nana Fenton	Johnson County
Janet Schalansky	SRS
Laura Howard	SRS
Brenda Eddy	ATK
Shannon Jones	SILCK
Marc Lim	Sedgwick County
Sally Finney	Ks. Public Health Assn.

Estimated Funding Shortfalls
In
SRS and Aging

Program		State General Fund		All Funds
FY 2000				
Department on Aging				
* Nursing Facilities	$	4,160,000	$	10,400,000
Department of Social and Rehabiliation Services				
* Medical Budget		0		10,000,000
* Temporary Assistance to Families		0		(1,140,000)
* General Assistance		130,000		130,000
* Nursing Facilities for Mental Health		(104,969)		0
HCBS/PD		1,345,898		3,364,746
HCBS/DD		1,389,793		3,474,482
Total – SRS	$	2,760,722	$	15,829,228
* **Caseload Total**	$	**4,185,031**	$	**10,530,000**
Total	$	6,920,722	$	26,229,228
FY 2001				
Department on Aging				
* Nursing Facilities	$	8,092,000	$	20,230,000
Department of Social and Rehabiliation Services				
* Medical Budget		3,509,385		18,186,000
* Temporary Assistance to Families		0		(1,140,000)
* General Assistance		130,000		130,000
* Nursing Facilities for Mental Health		(132,441)		(13,000)
HCBS/PD (shortfall)		1,533,822		3,834,556
HCBS/DD (shortfall)		1,691,411		4,228,527
HCBS/DD-- estimated waiting list		2,900,000		7,250,000
Total – SRS	$	9,632,177	$	32,476,083
* **Caseload Total**	$	**11,598,944**	$	**37,393,000**
Total	$	17,724,177	$	52,706,083
* **Over the two years--Caseloads**	$	**15,783,975**	$	**47,923,000**
Total over the two years	$	24,644,899	$	78,935,311

Kansas Lesiglative Research Department

House Appropriations
April 19, 2000
Attachment 1

Prevention Grants to Communities

by Robert D. Chapman, Fiscal Analyst, Kansas Legislative Research Department

House Appropriations
4-19-00
Attachment 2

Note: Preventions grants are to be funded through the Children's Health Care Fund, or tobacco money.

		Old Formula				*New Formula*					*If Old Formula Were Used...*		
Judicial District	Counties	Average Graduation Failure Rate*	Percentage Distr. (Dropouts/Total Dropouts)	Per Unit Share - FY 2000	Prevention Grants - FY 2000	Prevention Grants Base Amount - FY 2001	Prevention Grants Distribution Amount - FY 2001	Prevention Grants Total - FY 2001	Per Unit Share - FY 2001	Increase from FY 2000 to FY 2001	Old Formula Prevention Grants - FY 2001	Per Unit Share - FY 2001	Difference Between Old and New Formulas - FY 2001
1	Atchison, Leavenworth	269.31	3.64%	406	109,228	50,000	156,560	206,560	767	97,332	218,456	811	11,896
2	Pottawatomie, Jackson, Wabunsee, Jefferson	96.25	1.30%	406	39,038	50,000	55,954	105,954	1,101	66,916	78,075	811	-27,879
3	Shawnee	659.21	8.91%	406	267,365	50,000	383,224	433,224	657	165,858	534,731	811	101,507
4	Osage, Franklin, Coffey, Anderson	185.97	2.51%	406	75,427	50,000	108,111	158,111	850	82,685	150,853	811	-7,258
5	Lyon, Chase	112.87	1.53%	406	45,778	50,000	65,616	115,616	1,024	69,837	91,557	811	-24,059
6	Miami, Linn, Bourbon	112.70	1.52%	406	45,709	50,000	65,517	115,517	1,025	69,807	91,419	811	-24,098
7	Douglas	103.73	1.40%	406	42,071	50,000	60,302	110,302	1,063	68,231	84,143	811	-26,160
8	Dickinson, Geary, Morris, Marion	260.37	3.52%	406	105,602	50,000	151,363	201,363	773	95,761	211,204	811	9,841
9	McPherson, Harvey	131.06	1.77%	406	53,156	50,000	76,190	126,190	963	73,034	106,312	811	-19,878
10	Johnson	495.78	6.70%	406	201,081	50,000	288,216	338,216	682	137,135	402,161	811	63,946
11	Crawford, Cherokee, Labette	208.97	2.83%	406	84,755	50,000	121,482	171,482	821	86,727	169,510	811	-1,972
12	Jewell, Republic, Washington, Mitchell, Cloud, Lincoln	36.79	0.50%	406	14,921	50,000	21,387	71,387	1,940	56,466	29,843	811	-41,545
13	Butler, Greenwood, Elk	192.86	2.61%	406	78,221	50,000	112,117	162,117	841	83,896	156,442	811	-5,675
14	Chautaqua, Montgomery	130.99	1.77%	406	53,128	50,000	76,149	126,149	963	73,022	106,255	811	-19,894
15	Cheyenne, Rawlins, Sherman, Thomas, Wallace, Logan, Sheridan	48.80	0.66%	406	19,793	50,000	28,369	78,369	1,606	58,577	39,585	811	-38,784
16	Gray, Ford, Meade, Clark, Kiowa, Comanche	138.00	1.87%	406	55,971	50,000	80,225	130,225	944	74,254	111,941	811	-18,283
17	Decatur, Norton, Phillips, Smith, Osborne, Graham	16.81	0.23%	406	6,818	50,000	9,772	59,772	3,556	52,954	13,636	811	-46,137
18	Sedgwick	1,868.12	25.26%	406	757,681	50,000	1,086,009	1,136,009	608	378,328	1,515,362	811	379,352
19	Cowley	99.96	1.35%	406	40,542	50,000	58,111	108,111	1,082	67,568	81,084	811	-27,026
20	Barton, Russell, Ellsworth, Rice, Stafford	146.78	1.98%	406	59,532	50,000	85,329	135,329	922	75,797	119,063	811	-16,265
21	Clay, Riley	68.16	0.92%	406	27,645	50,000	39,624	89,624	1,315	61,979	55,289	811	-34,335
22	Marshall, Nemaha, Brown, Doniphan	77.53	1.05%	406	31,445	50,000	45,071	95,071	1,226	63,626	62,890	811	-32,181
23	Gove, Trego, Ellis, Rooks	41.40	0.56%	406	16,791	50,000	24,067	74,067	1,789	57,276	33,582	811	-40,485
24	Lane, Ness, Rush, Hodgeman, Pawnee, Edwards	52.43	0.71%	406	21,265	50,000	30,480	80,480	1,535	59,215	42,530	811	-37,950
25	Greeley, Wichita, Scott, Hamilton, Kearny, Finney	272.50	3.68%	406	110,522	50,000	158,415	208,415	765	97,893	221,044	811	12,629
26	Stanton, Grant, Haskel, Morton, Stevens, Seward	160.67	2.17%	406	65,165	50,000	93,404	143,404	893	78,238	130,331	811	-13,073
27	Reno	201.95	2.73%	406	81,908	50,000	117,401	167,401	829	85,493	163,816	811	-3,586
28	Ottawa, Saline	143.54	1.94%	406	58,218	50,000	83,445	133,445	930	75,228	116,435	811	-17,010
29	Wyandotte	841.44	11.38%	406	341,275	50,000	489,161	539,161	641	197,886	682,550	811	143,389
30	Pratt, Kingman, Barber, Harper, Sumner	102.88	1.39%	406	41,727	50,000	59,808	109,808	1,067	68,082	83,453	811	-26,355
31	Woodson, Allen, Wilson, Neosho	118.90	1.61%	406	48,224	50,000	69,121	119,121	1,002	70,897	96,448	811	-22,673
Totals		**7,396.73**	**100.00%**		**3,000,000**	**1,550,000**	**4,300,000**	**5,850,000**		**2,850,000**	**6,000,000**		**3,000,000**

lote: Graduation failure average numbers are from school years 95, 96, and 97. "The above numbers are estimations only; they do not represent an official award announcement."
Also, note that the graduation failure rate has not change to reflect individual district population fluctuations.

Juvenile Correctional Facility Building Initiatives - FY 2001

Comparison of House Budget Committee and JJA Positions
by Robert D. Chapman, Kansas Legislative Research Department

House Budget Committee Position	Juvenile Justice Authority Position
The House Budget Committee recommends that plans developed with appropriated facility planning funds meet the existing population crisis and follow already established population housing patterns found in the existing facilities. The Budget Committee concurs with the Governor's recommendation that 20-year bonds be issued for $50.0 million in FY 2001 with the first debt service payment in FY 2002. Debt service on the bonds would be paid from the SIBF.	The JJA's building initiatives include four major projects, detailed below.
Beloit Juvenile Correctional Facility ▸ concur.	**Beloit Juvenile Correctional Facility** ▸ renovate Morningview living unit at Beloit Juvenile Correctional Facility to upgrade 18 rooms in the unit from minimum to maximum security.
Topeka Juvenile Correctional Facility ▸ house older male offenders at the Topeka Juvenile Correctional Facility, and offenders with mental health; ▸ renovate the existing facility by demolition of certain living units and construction of new maximum-security bed space; include no new administration and use existing facility infrastructure support.	**Topeka Juvenile Correctional Facility** ▸ construct a new 225-bed juvenile offender complex next to the existing Topeka Juvenile Correctional Facility that would house the worst juvenile offenders and include a separate administration; the new complex would consist of 150 max. beds, 60 classification and diagnostic beds, and 15 medical beds; ▸ renovate four living units at Topeka Juvenile Correctional Facility, which includes demolition of two two-story living units and construction of two 30-bed living units and associated program space.
Larned Juvenile Correctional Facility major projects: ▸ concur with the idea of housing male offenders with substance abuse problems.	**Larned Juvenile Correctional Facility** major projects: ▸ construct a new 122-bed facility at Larned Juvenile Correctional Facility that would include 90 medium-security beds for male offenders with substance abuse problems and 32 maximum-security beds for mental health treatment.
Atchison Juvenile Correctional Facility major projects: ▸ house the worst younger-age male offenders and possibly provide more maximum security beds to accommodate the projected population.	**Atchison Juvenile Correctional Facility** major projects: ▸ no new construction.

House Appropriations
4-19-00
Attachment 3

Capital Improvements Detail

Agency's Request

FY 2000. The agency requests $5,061,852 for capital improvements. The request is composed of:
- $1,307,123 (SIBF) for juvenile correctional facility rehabilitation and repair projects;
- $2,184,007 for the design funding of the proposed maximum security facility;
- $56,000 for the re-opening of Morningview Cottage at Beloit Juvenile Correctional Facility;
- $1,257,878 for the design funding of the proposed Larned replacement facility; and,
- $256,844 for the design funding of new buildings at the Topeka Juvenile Correctional Facility.

FY 2001. The agency requests $22,737,473 for capital improvements. The agency's request is composed of:
- $1,327,473 (SIBF) for rehabilitation and repair items at the juvenile correctional facilities.
- $20,000,000 (KEYF and VOI/TIS) to finance the portion of new facility construction not covered by the issuance of debt; and,
- $1,410,000 for debt service principal payments from the State Institutions Building Fund.

Debt Service. The agency is requesting a total of $2,819,612 (which is comprised of $2,470,878 from SIBF and $348,734 from the Principal and Interest Fund) for debt service *interest* in FY 2001 on the debt the JJA will incur for new facility construction, for both the proposed maximum security and Larned replacement facilities. Only the debt service *principal* payments totaling $1,410,000 (SIBF) are included in the agency's FY 2001 capital improvement request.

Governor's Recommendation

FY 2000. The Governor concurs.

Note: The facility planning funds are financed by a $3.6 million appropriation (SIBF) made by the 1999 Legislature and a reappropriation of $123,416 from the SIBF Capital Planning and Projects Fund, which was originally appropriated by the 1998 Legislature for the purpose of developing a facilities master plan.

FY 2001. The Governor recommends $11,000,000 for capital improvements. The recommendation includes:
- $1,000,000 (SIBF) for facility rehabilitation and repair projects;
- $10,000,000, comprised of $4,500,000 (SIBF) and $5,500,000 (VOI/TIS), for building costs associated with juvenile facility construction projects. The Governor also recommends that $50.0 million be bonded to pay for a total projected cost of $60.0 million.

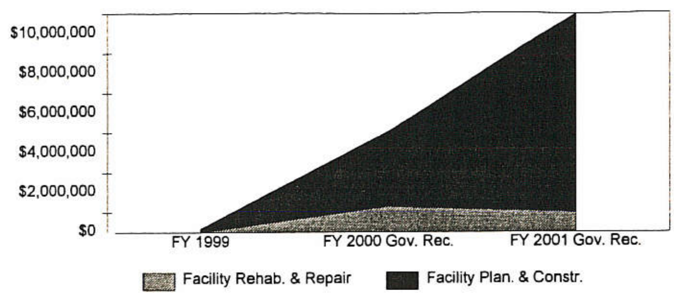
The Governor recommends that 20-year bonds be issued for $50.0 million in FY 2001 with the first debt service payment in FY 2002. Debt service on the bonds would be paid from the SIBF.

JJA's Master Plan Details

Project Details	Total New Beds	Total Beds	Project Cost	Cost per Bed	Est. Annual Oper. Cost	Annual Cost per J.O.
1. Design facilities - 7.5% of total construction estimate		533				
2. Upgrade Morning View building at Beloit facility into new 18 maximum-security beds and six special program beds (net change of 0 new beds)	0	533	$499,997	$20,833		
3. Construct new maximum-security juvenile detention center with space for 150 beds plus a 15 bed medical unit; combine it with a diagnostic/classification /assessment center with 60 beds to sort out juvenile offenders into custody classes (cost of building center apart from max-facility would be $12 million) (total new beds equal 225)	225	758	$35,235,751	$156,603	$9,900,000	$44,000
4. Construct at Larned a new, self-contained facility which includes space for an expanded 90-bed Residential Substance Abuse Treatment program and a 30-bed Special Behavior Management Unit (total of 120 beds); specifically, decommission the Allen, Meyer East/West, and Sellers buildings and return them to the State Hospital (current total bed capacity at Larned is 116; net change would be 6)	122	764	$21,679,669	$177,702	$6,100,000	$50,000
5. Expand Topeka facility to include renovated housing and new construction that would increase medium-security bed space from 219 to 226 (net change of 7 beds); specifically, 63 beds in Arapaho/Cheyenne/Chippewa/Jayhawk would be decommissioned and 70 new beds would be constructed	70	771	$7,674,936	$109,642		
Total cost impact to the State	**417**	**Net Change: 238**	**$65,090,353**	$156,092	**$16,000,000**	$38,369

House Appropriations
4-19-00
Attachment 4

Capital Improvements–FY 1997 to FY 2001



Projected Juvenile Bed Needs–FY 2001 to FY 2007

*Based on Average Daily Population projections submitted by the Kansas Sentencing Authority, April 2000.

Year	Projected Bed Needs*
FY 2000	542
FY 2001	607
FY 2002	615
FY 2003	680
FY 2004	764
FY 2005	839
FY 2006	831
FY 2007	830

Summary of Capital Improvements

Juvenile Correctional Facilities (Systemwide)	Actual FY 1999	Agency Estimate FY 2000	Gov. Rec. FY 2000	Agency Request FY 2001	Gov. Rec. FY 2001
Juvenile Correctional Facility Rehab. & Repair Projects:					
Atchison Juv. Correctional Facility	$ 0	$ 370,367	$ 370,367	$ 379,334	$ 200,000
Beloit Juv. Correctional Facility	0	626,523	626,523	302,878	200,000
Larned Juv. Correctional Facility*	NA	NA	NA	NA	NA
Topeka Juv. Correctional Facility	11,471	310,233	310,233	645,261	600,000
Subtotal	$ 11,471	$ 1,307,123	$ 1,307,123	$ 1,327,473	$ 1,000,000
New Facility Construction:					
Proposed New Maximum Security Facility	0	0	0	15,000,000	10,000,000
Proposed New Larned Facility	0	1,257,878	1,257,878	5,000,000	0
Debt Service - Maximum and Larned Facilities	0	0	0	1,400,000	0
Topeka JCF New Buildings	0	256,844	256,844	0	0
Reopening of Beloit JCF Morningview Cottage	0	56,000	56,000	0	0
Subtotal	$ 0	$ 1,570,722	$ 1,570,722	$ 21,400,000	$10,000,000
Total	$ 178,055	$ 5,061,852	$ 5,061,852	$ 22,727,473	$ 11,000,000
Plan for Financing:					
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0
Capital Facilities Planning & Projects - SIBF	166,584	123,416	123,416	0	0
Cap. Imp. R & R of JCFs - SIBF	11,471	1,338,436	1,338,436	1,327,474	1,000,000
Debt Service - Max and Larned Facilities - SIBF	0	0	0	1,410,000	0
SIBF - Larned JCF - Arch. Design and Planning	0	100,000	100,000	0	0
SIBF - Juvenile Facility Planning Needs	0	3,500,000	3,500,000	0	4,500,000
KEYF - Max. Security Facility Construction	0	0	0	10,000,000	0
VOITIS Max. Security Facility Construction-Federal	0	0	0	10,000,000	5,500,000
Total	$ 178,055	$ 5,061,852	$ 5,061,852	$ 22,737,474	$ 11,000,000

* The Rehabilitation and Repair projects for Larned JCF are included in the Larned State Hospital request.

STATE OF KANSAS

BILL GRAVES
Governor

Juvenile Justice Authority
Albert Murray, Commissioner

Jayhawk Walk
714 SW Jackson, Suite 300
Topeka, Kansas 66603
Telephone: (785) 296-4213 FAX: (785) 296-1412

House Appropriations Committee
April 19, 2000

Good morning, Mr. Chairman and Representatives. I appreciate the invitation to discuss with the Committee the funding formula for the state fiscal year 2001 prevention block grants and the juvenile correctional facility construction projects. For State Fiscal Year 2000, the prevention block grants were made available to the administrative counties of each judicial district according to each district's share of the state's total number of high school graduation failures tabulated over a three year period. The objective of this formula was to make the funds available to districts based only on each district's comparative need. In this case, need was determined by high school graduation failures as an indicator of serious, chronic, and violent juvenile offending.

PREVENTION FUNDING FORMULA

The Joint Committee on Corrections and Juvenile Justice Oversight, as well as the House Public Safety Budget Committee, recommended that I examine the current funding formula and revisit or devise a new formula that addresses additional values or objectives. One of the concerns voiced was a need to share public funds for prevention programs in a way that does not reduce or at a minimum mitigate the loss of funds to successful communities. To facilitate that examination, and to ensure feedback during this legislative session, a daylong workshop for stakeholders was held. The objective was to develop recommendations on how the prevention funding formula should be structured. Stakeholders from across the state with a broad array of backgrounds were invited to participate. Juvenile Justice Authority staff did not participate in the workshop. Agency research staff were onsite to assist the facilitator and to handle logistics of the meeting. In general terms, the recommendations of the workshop participants were to:

1. Take an amount from the annual appropriation to use in a reward program.
2. Give all districts a base of $50,000.
3. Allocate remaining funds according to the high school graduation failure data.
4. Cap any one-year reduction to 10% of the district's prior year's award.

For the State FY2001 prevention block grants, I have decided to adopt the recommendation of the workshop group. The current fiscal year formula is strictly a needs based formula. The state fiscal year 2001 formula addresses multiple objectives.

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1. It provides 3% of the total to be used for special recognition of successful programs.
2. It provides 71% of the total to be used according to each districts comparative need.
3. It provides 26% of the total to be allocated in a way and amount that ensures all districts in Kansas have sufficient funding to operate a meaningful prevention program.

JUVENILE CORRECTIONAL FACILITY CONSTRUCTION PROJECTS

Agency recommendations:

1. 225-bed complex located adjacent to the existing facility in Topeka
   150-bed maximum security facility
   60-bed reception and diagnostic unit
   15-bed infirmary
   Total cost = $34 million

2. Larned facility located on the Larned State Hospital grounds.
   90-bed alcohol and substance abuse
   32-bed mental health facility
   Total cost = $20 million

3. Topeka facility
   60-bed replacement and replacement of program spaces
   Total cost = $6 million

4. Beloit facility
   Renovation of 18 rooms (constructing max. beds)
   Total cost = $500,000

Total construction cost: $60.5 million

ALTERNATIVES:

1. BUILD 225-BED COMPLEX IN LARNED WITH THE LARNED PROJECT
   Total of 347-beds (expansion capabilities to 539-beds)
   Cost: $ 57 million
   Replacement construction at Topeka- $6 million
   Renovation at Beloit- .5 million
   Total construction cost=$63.5

This plan is not recommended for the following reasons:

a. The plan is a major departure from the recommendations of the Facilities Master Plan, the Governors recommendations and the recommendations of the Joint Building and Construction Committee.
b. The plan will cost more than the plan recommended by the Facilities Master Plan, the Governor and the Joint Building and Construction Committee. We will essentially be required to start the architectural planning again.
c. The cost of the project will cause the agency to exceed the Governor's recommended funding.
d. The size of the facility would exceed ACA, national and best practice standards for housing juveniles.
e. The plan would require those counties that commit the most offenders to transport them to Larned opposed to Topeka. This will have a long term impact on their operating budgets and create an unnecessary transportation safety problem.

2. BUILDING THE 225 BEDS AS PART OF TJCF
Increase total capacity to 441-beds (expansion capabilities to 571-beds)
Costs: $ 31 million approximately
Larned facility- $ 20 million
Replacement construction at Topeka- $6 million
Renovation at Beloit- $.5 million
Total construction cost = $57.5 million

This plan is not recommended for the following reasons:

a. The existing Topeka facility was architecturally planned for a different use; it is at best a medium-security level facility. Combining the two facilities will seriously compromise the maximum-security level custody required for violent offenders. The reasons are many, including the location of the maintenance plant inside the perimeter fence is a serious security problem, the requirement for offenders with differing classifications to share program services and spaces will be a safety and security problem and the requirement to move violent offenders long distances for services will be a safety and security problem, etc.
b. To my knowledge, Kansas has never attempted to manage/rehabilitate children or juveniles in a facility this large. This plan would be a departure from current philosophy and practice in this regard.
c. The plan is a major departure from the Facilities Master Plan, the Governor's recommendations and the recommendations of the Joint Building and Construction Committee.
d. The size of the facility would exceed ACA, National and best practices for juvenile facility standards.
e. The plan would require the architectural planning to start again, incurring additional cost.

f. The plan does not meet the Reform Act mandate for establishing a maximum-security level facility.

3. BUILD 50-BED MAXIMUM-SECURITY FACILITIES AT ATCHISON, LARNED AND TOPEKA FACILITIES

Build 50-bed maximum facilities at Atchison, Larned and Topeka
Total beds built at AJCF-50
Total beds built at LJCF-172
Total beds built at TJCF-125
Cost at AJCF: $12.4 million
Cost at LJCF: $31.2 million
Cost at TJCF: $23.9 million
Total construction cost = $67.5

This plan is not recommended because of the following reasons:

a. The plan will cost more than the plan recommended by the Facilities Master plan, the agency, the Governor and the Joint Building and Construction Committee. The higher cost is associated with the smaller size of each facility, the duplication of construction materials and labor and the cost of security electronics. The plan will increase long term operating cost because of duplication and inefficiencies in the use of staff, staff training, utilities, program services, equipment and on-going maintenance and repair. In addition, we will essentially be required to start the architectural planning again.
b. The plan is a major departure from the recommendations of the Facility Master Plan, The Governor's recommendations and the recommendations of the Joint Building and Construction Committee.
c. None of the existing facilities, which were architecturally planned, for a different use, are readily adaptable to a maximum-security level facility except at a prohibitive expense and with a comprised operation. For example, the cost to put a fence around the Atchison facility is estimated to be more than five million dollars.

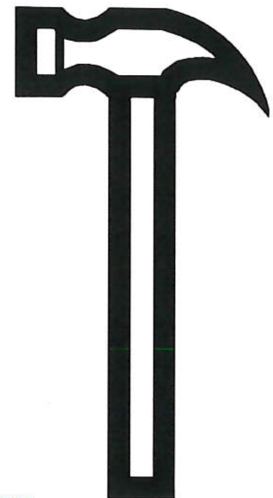
4. REDUCE THE NUMBER OF PROJECTS.

The most direct way to reduce the current total cost of the construction plan is to reduce the number of projects. I do not advise this; however, to accomplish it I would need to prioritize the projects according to the agency's greatest need. Clearly, the highest priority in the agency in the near future is increased bed capacity at the maximum-security level. Therefore, if the total project cost must be reduced, the construction of the 225-bed facility must receive first priority.

Total construction cost: $34 million

.pril 18, 2000

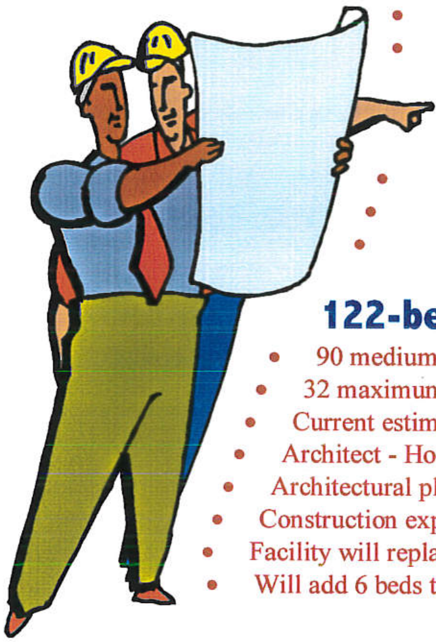
Juvenile Justice Authority
State of Kansas



Major Initiatives – FY2001

Capital Improvement Projects

225-bed juvenile offender complex, Topeka



- Includes a 150-bed maximum-security facility
- Includes 60-bed classification and diagnostic facility
- Includes a 15-bed medical facility
- Architect -- Horst, Terrill and Karst Architects, P.A.
- Current estimated cost of the complex is $34,000,000
- Architectural planning expected to be complete -- October 2000
- Construction expected to be complete - September 2002
- Will add 210 beds to the JJA system-wide bed capacity

122-bed juvenile offender facility in Larned

- 90 medium-security beds for alcohol and substance abuse treatment
- 32 maximum-security beds for mental health treatment
- Current estimated cost - $20,000,000
- Architect - Hoefer, Wysocki Architects
- Architectural planning expected to be complete -- June 2000
- Construction expected to be complete -- June 2002
- Facility will replace the 116 Larned State Hospital beds now used by JJA
- Will add 6 beds to the JJA system-wide bed capacity

Renovation of four living units, Topeka Juvenile Correctional Facility

- Includes demolition of two two-story living units
- Includes construction of two 30-bed living units and associated program space
- Current estimated cost -- 6,000,000
- Architect -- Peterson, Freund, Associates
- Architectural planning expected from March to November 2000
- Renovation expected to be complete -- December 2002
- Will replace 63 beds, 10 temporary detention rooms and program space now housed in the two old two-story buildings with two new buildings

Renovation of Morningview Living Unit, Beloit Juvenile Correctional Facility

- Includes upgrading 18 rooms in the Morningview Living Unit from minimum to maximum-security
- Current estimated cost - $500,000
- Architect -- Jones and Gilliam Architects and Engineers
- Program design and architectural planning expected to be complete -- June 2000
- Renovation expected to be complete -- July 2001

Total Estimated costs of all projects = $60,500,000

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.pril 18, 2000

Why is additional space needed in juvenile correctional facilities?

Population Projections

- Effective July 1, 1999, the new placement sentencing matrix defined
  1. which juvenile offenders will be sentenced to the Juvenile Correctional Facilities
  2. ranges of incarceration and aftercare by severity of crime

- This new law has a significant impact on the year 2000 projections.

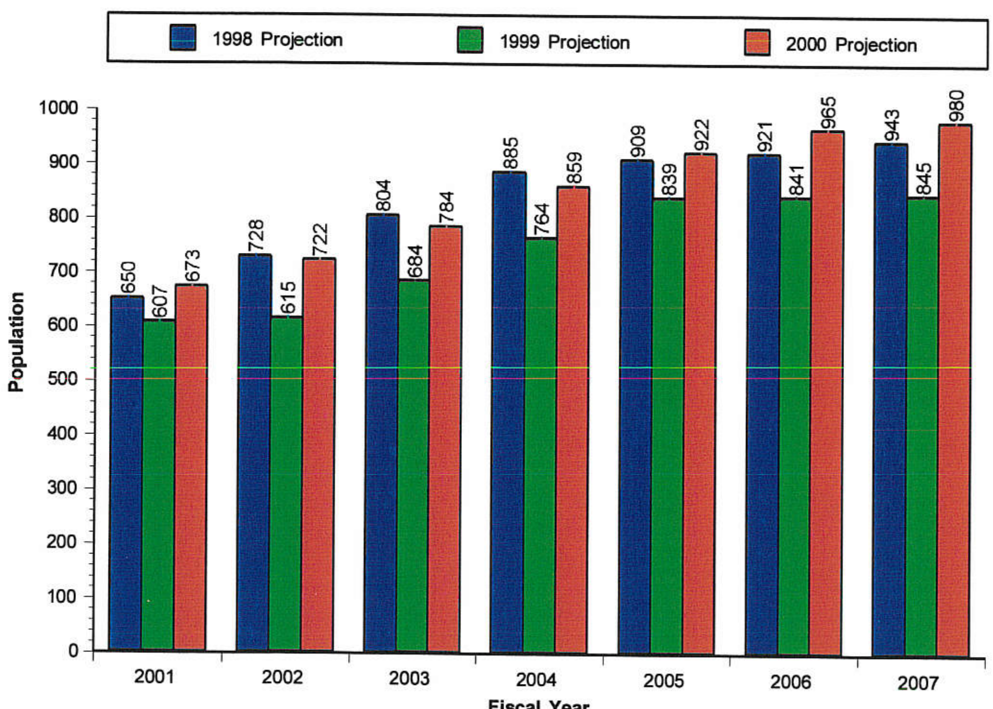
- The JJA recently completed its fourth 10-year population projection study. Below is a depiction of the last three population projections for juvenile correctional facilities.

- The number of juveniles who meet the criteria for placement under the Placement Matrix has more than doubled during the past four years. (From 321 in 1995 to 778 in 1999).

- According to the Kansas Sentencing Commission, the increase in the numbers of placement matrix admissions will have a direct impact on the number of projected additional beds needed to accommodate the population.

- In addition, under the new Placement Matrix law, minimum lengths of stay at the juvenile correctional facilities are for longer periods of time than under pre-Matrix law. This contributes to the need for additional beds.

Juvenile Correctional Facilities Population Projections



Source: Kansas Sentencing Commission

For more information, call the Juvenile Justice Authority at (785) 296-4213. Or e-mail us at jja@jjaco.wpo.state.ks.us.

STATE OF KANSAS

DEPARTMENT OF ADMINISTRATION
Division of Architectural Services

BILL GRAVES
Governor

DAN STANLEY
Secretary of Administration

THAINE HOFFMAN, AIA
Director of Architectural Services
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Topeka, KS 66612-1311
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FAX (785) 296-8898
WEB http://da.state.ks.us/arch/

March 22, 2000

Paul West
Legislative Research
545-N, State Capitol Building
Topeka, Kansas 66612

Re: New Juvenile Justice Authority Maximum Security Facility at Topeka and Medium Security Facility at Larned

Dear Paul:

As we might expect, the designers start with features that they will not be able to justify or afford, even with the original budgets. In addition, the combined budget for these facilities has been reduced by several million dollars.

These facilities are at the stage of design where there have been several day long sessions to review the preliminary plans and to discuss the needs on an item by item basis. Those meetings have resulted in prioritizing the needs and cutting back many of the lower priority features.

This office has been suggesting changes and priorities. As my staff and I review the plans, we still see features that we do not feel are justified. We have addressed those in a letter to the applicable architectural firms. A copy of that letter is attached. My staff and I will continue to monitor the plans for compliance with the programs and budgets.

Sincerely yours,

Thaine H. Hoffman

Thaine Hoffman, AIA
Director

TH:gk
Encl.

cc: Jim Frazier
Jim McKinley
Ray Smith
Diana Hutchison
George Steele

House Appropriations
4-19-00
Attachment 7

DEPARTMENT OF ADMINISTRATION
Division of Architectural Services

BILL GRAVES
Governor

DAN STANLEY
Secretary of Administration

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March 22, 2000

Gary Karst
Horst Terrill Karst Architects
2900 MacVicar Avenue
Topeka, KS 66611-1790

Dave Hoefer
Hoefer Wysocki Architects
4330 Shawnee Mission Parkway
Suite 131
Shawnee Mission, KS 66205

Re: JJA Maximum Security Juvenile Facility at Topeka
and Medium Security Juvenile Facility at Larned

Gentlemen:

I was present when you were discussing the issue of "I" occupancy vs. mixed use occupancies for portions of the above-referenced facilities. I did not comment because I had not yet been briefed by my staff. However, it has come to my attention that my lack of response may have been taken as support for considering mixed use occupancies. Our position remains that we consider all areas "I" occupancy if the occupants are locked in the building. The mixed use could be considered if the occupants are allowed out of the building and into the secure yard in case of a fire. We doubt such an arrangement would be acceptable to JJA. Unless this is worked out, we consider all locked areas to be "I" occupancy.

Ray Smith and Diana Hutchison of this office and Jim Frazier and Jim McKinley of JJA have been working with you to simplify the design. I understand that you are already very diligently working to meet the budget. However, after reviewing the latest plans and seeing some of the design features that remain, we are concerned that these projects might not bid within the budgets.

You are well aware that it is your contractual responsibility, at no additional cost, to rework the plans if the bids are not within budget. Please be aware that we will not be sympathetic to reducing space if this is the case. Reworking the plans would require removal of design features, including complexity of the plans. In addition to your additional costs, rebid would delay occupancy for the owner and be unfair to contractors. Although this letter will not be welcome, it is in everyone's best interest to face these issues now. The first bids on these projects must be, and can be, within the budgets.

These facilities are not to be showplaces. It would send the wrong message to the students in the local high schools if these facilities would outshine Seaman and Larned High Schools. I would ask you to keep in mind the economical design of Seaman High School. I am not familiar with Larned High, but you might check it out.

The following **examples** relate to the Topeka facility but similar comments would apply to Larned:

- Please remove the landscaping and the long islands in the parking lot. These not only add to the cost but make snow removal and maintenance more expensive.
- Please simplify the roof over the gymnasium.
- Please eliminate the curved corner and simplify the entrance on the administrative wing. I understand that this area is for the staff, but it is more important to use the limited funds for program needs.
- The warehouse might be more economical as a steel rather than a masonry structure.
- Reducing the size of the fenced area and thus adding to the cost of future additions is not in the long-term interest of the State.

The following **examples** relate to the Larned facility but similar comments would apply to Topeka:

- I appreciate that the sloped roofs relate to the adjacent buildings and give this facility a less institutional appearance. We do not want to eliminate this feature. I also understand the roof has already been simplified, but I feel the roof needs to be further simplified, especially the east section.
- The high ceilings, clearstories and extra volume seems excessive.
- The many curved walls, especially the fan roof over the curved wall in the library, are difficult to justified. I also question the curved staircases in the pods.
- Sheet A4.1, Elev. 3: What is the justification of the extra volume in the administration area?
- I understand the need to break up ceilings in long hallways, etc., but not to the extent indicated.
- I trust that you can use cost effective, durable materials in a way that will provide an appropriate environment, but within the budget.

Even with these and other changes, these will be very adequate facilities and within the budget. Please continue to work with Ray or Diana on their continued development.

Sincerely yours,

Thaine H Hoffman

Thaine Hoffman, AIA
Director

TH:gk

cc: Jim Frazier
Jim McKinley
Ray Smith
Diana Hutchison
George Steele

STATE OF KANSAS

DEPARTMENT OF ADMINISTRATION
Division of Architectural Services

BILL GRAVES
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April 4, 2000

Dave Wysocki
Hoefer Wysocki Architects
4330 Shawnee Mission Parkway
Suite 131
Shawnee Mission, KS 66205

Gary Karst
Horst Terrill Karst Architects
2900 MacVicar Avenue
Topeka, KS 66611-1790

Re: Medium Security Juvenile Correctional Facility at Larned and
Maximum Security Juvenile Corrections Facility at Topeka

Gentlemen:

The projections now show that by the time these facilities come on-line, there will already be a need for additional space.

In the March 8th briefing to the legislators, your projects included curved walls, extensive & complex metal roofs, high ceilings, upgraded interior finishes & trim, landscaping in parking lots, etc. Although I am still concerned that the budgets will be tight even after the designs are simplified, your preliminary plans raised expectations that the budgets are more than ample. Yesterday's headline news article (copy attached) indicates the problems caused by including these extra features. The designs help place the entire program in jeopardy. These facilities are not to be showplaces. We simply need facilities to carry out the programs. We have therefore been requested to remove the extra features on both projects and to provide additional housing at Larned if possible.

Our previous letters have indicated some of the features to be removed. You are also investigating other value-engineering items. Please be resourceful in looking for additional cost-cutting items to propose to JJA/DOAS. Savings from either project, above a reasonable contingency, will be used in an effort to provide the additional housing at Larned.

HWA, you are requested to include the 30-bed east section of the south pod in the plans as an alternate. This should require very little additional drawing since it will be a mirror image of the west half, making it a full pod similar to the north pod.

Please call if you have questions.

Sincerely yours,

Thaine H Hoffman

Thaine Hoffman, AIA
Director

Encl.

cc: Senator Dave Kerr
Commissioner Albert Murray
Jim Frazier
Jim McKinley
Paul West
Diana Hutchison
Ray Smith

Community Planning Team Funding

by Robert D. Chapman, Fiscal Analyst, Kansas Legislative Research Department

Community Planning Team/Judicial District

Jud. Dist.	Counties	1996 Juvenile Pop.*
1	Atchison, Leavenworth	21,862
2	Pottawatomie, Jackson, Wabunsee, Jefferson	14,180
3	Shawnee	41,693
4	Osage, Franklin, Coffey, Anderson	14,621
5	Lyon, Chase	9,800
6	Miami, Linn, Bourbon	12,506
7	Douglas	16,769
8	Dickinson, Geary, Morris, Marion	18,505
9	McPherson, Harvey	15,278
10	Johnson	95,155
11	Crawford, Cherokee, Labette	20,232
12	Jewell, Republic, Washington, Mitchell, Cloud, Lincoln	8,940
13	Butler, Greenwood, Elk	17,205
14	Chautaqua, Montgomery	11,046
15, 17, 23	Cheyenne, Rawlins, Sherman, Thomas, Wallace, Logan, Sheridan; Decatur, Norton, Phillips, Smith, Osborne, Graham; Gove, Trego, Ellis, Rooks	18,000
16	Gray, Ford, Meade, Clark, Kiowa, Comanche	12,968
18	Sedgwick	111,814
19	Cowley	9,783
20	Barton, Russell, Ellsworth, Rice, Stafford	15,475
21	Clay, Riley	18,300
22	Marshall, Nemaha, Brown, Doniphan	10,874
24	Lane, Ness, Rush, Hodgeman, Pawnee, Edwards	6,109
25	Greeley, Wichita, Scott, Hamilton, Kearny, Finney	16,219
26	Stanton, Grant, Haskel, Morton, Stevens, Seward	12,978
27	Reno	15,910
28	Ottawa, Saline	16,600
29	Wyandotte	46,007
30	Pratt, Kingman, Barber, Harper, Sumner	15,664
31	Woodson, Allen, Wilson, Neosho	11,946
	TOTALS	**656,439**

*Juvenile Population means those persons under the age of 18.

Note: This $73.9 million includes existing programs and purchase of services, as well as new funding for new programs and new construction. Existing programs and purchase of services account for $47.0 million of the total, while new programs account for $26.9 million of the total requested. New requested funding can be brok down into $5.9 million for prevention programs (the Governor recommends using $4.0 million of tobacco money to fund these prevention programs), $12.3 million for new construction projects (the JJA does not request this), and $8.7 million for intervention and graduated sanctions programs.

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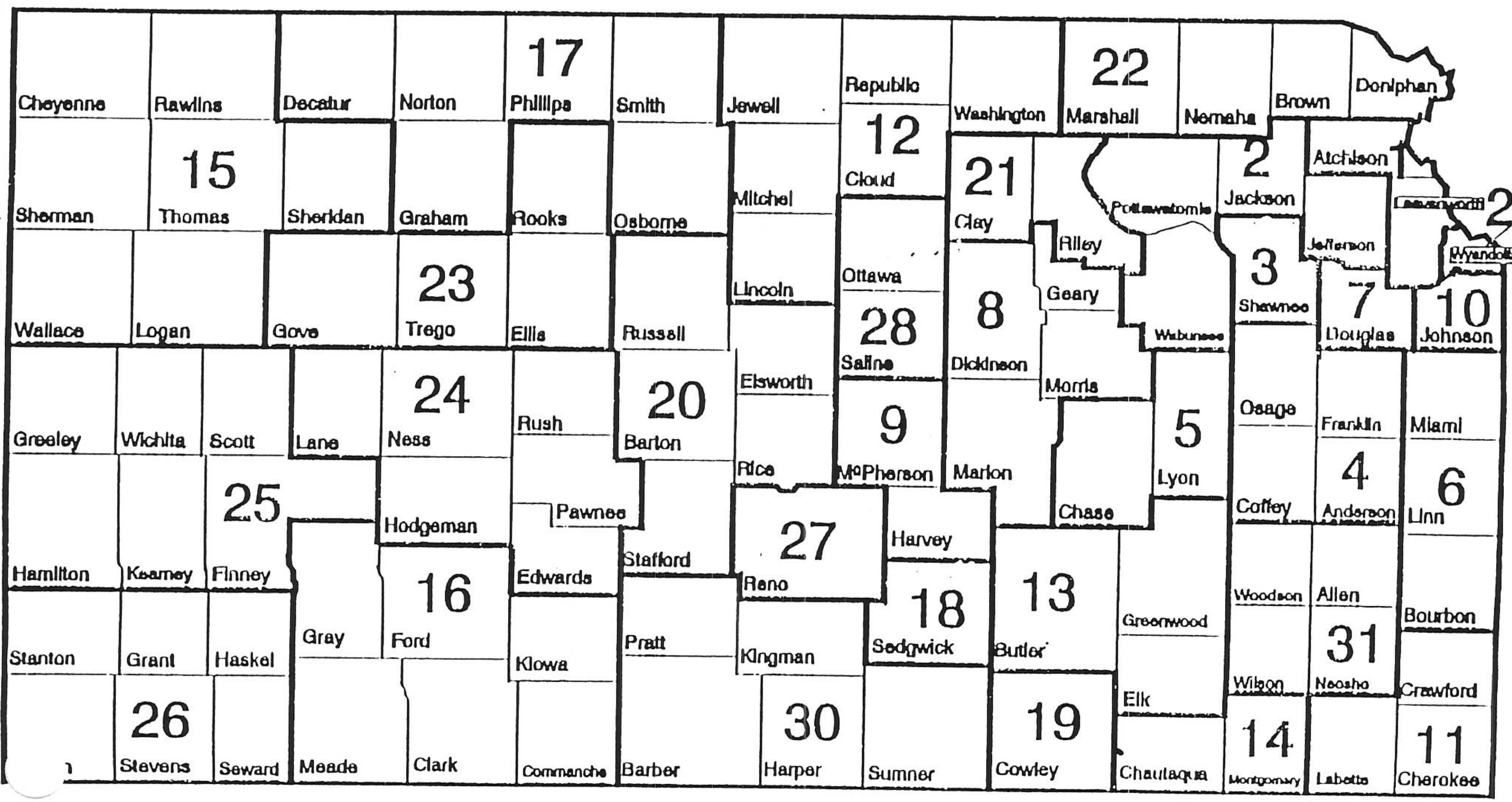
Kansas Judicial Districts



House Appropriations
4-14-00
Attachment 9

KANSAS LEGISLATIVE RESEARCH DEPARTMENT Rm. 545N–Statehouse, 300 SW 10th
Topeka, Kansas 66612-1504
(785) 296-3181 ◆ FAX (785) 296-3824
kslegres@klrd.state.ks.us http://skyways.lib.ks.us/ksleg/KLRD/klrd.html

April 18, 2000

From: Stuart J. Little, Senior Fiscal Analyst

Re: House Substitute for Senate Bill 323—Corrections Mega Bill

The Senate Ways and Means and House Appropriations Conference Committee on the appropriations bills recommended a number of adult corrections issues be separated from the appropriations bills and combined with a number of judicial measures. The Conference Committee placed the following items into **House Substitute for Senate Bill 323.** The bill contains both appropriations and substantive law.

The components of the Conference Committee's recommendation are designed to target lower severity level, non-violent offenders, particularly those who have violated the conditions of their probation, parole, or postrelease supervision—mainly for failure to obey rules, report, pass drug tests, or attend treatment. Conditional violators (not those who have committed a new crime) comprise 69.5 percent of admissions each month into the state correctional system. Court admissions for people convicted of a new offense continue to remain constant, but postrelease conditional violators, which are controlled and determined by the Department of Corrections' Parole Services, continue to be admitted to prison at 253.2 every month, an increase from previous years (FY 1999 195.6 and FY 1998 162.7). With a total prison population of approximately 8,700, 4,434 offenders (including 3,038 postrelease supervision and 1,396 probation conditional violators) each year are admitted to prison to serve only a couple of months incarcerated.

The Conference Committee's plan targets this population to reduce their return to costly prison beds with enhanced community punishments, day reporting centers, and reduced supervision lengths in an effort to limit prison construction and future increased operating costs. The Conference Committee's plan is designed to divert these offenders from costly prison beds, making beds at all custody levels available for violent offenders.

It is important to note conditional violators, despite being lower severity level on the Kansas Sentencing Guidelines Sentencing grid, are not all kept in minimum custody in the state's prisons. Based on the information from the Department of Corrections, over one-half of conditional violators are currently in medium or maximum custody beds. The provisions of Substitute for S.B. 323, according to the Department of Corrections' analysis of the bill, will reduce an anticipated 924 offenders from entering the prison system, and approximately 50 percent, or 460 beds, should be medium or maximum custody.

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1. Day Reporting Centers

Day reporting centers funding of $1.9 million in FY 2001 for one-half year funding and $3.8 million in FY 2002 for a full year funding. The Department of Corrections is required to contract for the operation of the centers because the federal crime bill funds (Violent Offender Incarceration/Truth in Sentencing grants) will fund the operation of programs if: a.) they make available bedspace and b.) if they are run by private companies. The plan anticipates three day reporting centers which include drug testing, reporting, and electronic monitoring in Kansas City, Topeka, and Wichita.

2. Community Corrections Funding Increase

Additional Community Corrections funding is included in two programs.

a. $750,000 for the Conditional Violator Grant which funds projects designed to divert offenders who would otherwise return to prison. The Governor did not fund the project after two years of funding. The grant is funded from the ending balance of the Correctional Industries fund.

b. $879,484 SGF increases the average daily population served by Community Corrections. The increase is based on funding the anticipated impact on local Community Corrections organizations of the proposed legislative package in this bill.

3. New Construction

a. Included is $4.4 million in bonding authority for projects at the Topeka Correctional Facility to address the female inmate bedspace demands. Includes $2,140,000 to renovate the J-Cellhouse (the current male reception and diagnostic unit), a new laundry ($764,600), and a new staff training center ($386,175). The last two items are a result of the intent to remove the minimum custody correctional unit from the grounds of the former Topeka State Hospital to facilitate the property's disposition. Included in the bonding authority as well is $1.1 million to repair the fire damage at Lansing Correctional Facility.

b. A proviso is included in the bill, prohibiting the Kansas Development Finance Authority from any bond issuance for prison construction without specific legislative authorization.

c. Add $300,000 from the Correctional Institutions Building Fund to renovate or construct program space at Larned Correctional Mental Health Facility for the Chemical Dependency Recovery Program. These funds, in addition to $750,000 State Institutions Building Fund in the SRS budget for construction or renovation of housing for the sexual predators as well as $568,000 shifted from the Larned hospital to the prison, will make 30 maximum custody prison cells available.

4. Legislation Changes

The Conference Committee includes the following legislation in Substitute for Senate Bill 323, all of which targets low-level, primarily non-violent offenders who tend to violate the conditions of their post release supervision or probation and occupy prison beds for a brief period of time which would otherwise be available for violent offenders. The anticipated bed space savings from the Kansas Sentencing Commission on the bill is 924 beds in FY 2001 by diverting offenders.

No part of the legislative proposal adjusts Sentencing Guidelines to reduce the length of time any offender is required to spend in prison, although the retroactive application of some provisions will shorten incarceration lengths for some offenders in the current year.

a. Substitute for House Bill 2683 passed the Senate on March 31, 2000. Contents of the bill include:

   i. Prohibition on racial profiling

   ii. Senate Bill 491 which passed the Senate but not the House

      (1) Increases local jail time availability as a condition of probation from 30 to 120 days (not retroactive)

      (2) Mandatory placement of probation conditional violators to community corrections or other alternative sanction (with public safety exception)

      (3) Graduate and reduce some postrelease supervision lengths for some offenders (excludes N1-N4 and D1-D2)

   iii. Senate Bill 665 which passed the Senate

      (1) N9 and N10 probation condition violators not revoked to prison, but to an alternative sanction (retroactive)

      (2) Combine criminal history H and I (not retroactive)

      (3) Graduate probation periods for levels N8-10 and D3-D4 (retroactive)

(4) No postrelease supervision for probation condition violators who serve sentence (excludes departures and sex offenders) (retroactive)

b. Senate Bill 490 passed the Senate and the House. The Senate version of the bill is included herein.

   i. Establishes a target population for community corrections programs and requires court services to establish a risk needs assessment to provide consistency of population, needs, and services, as well as the effectiveness of the programs.

Attachments

Attachment 1: Department of Corrections, Correctional Facility Capacity as of 12-31-99

Attachment 2: Male Prison Population and Capacity by Custody Level

Attachment 3: Department of Corrections, End of Month Population Report: March 2000

Attachment 4: Kansas Sentencing Commission, Summary of Beds Saved in Sub. for SB 323

Attachment 5: Department of Corrections, Total Bed Space Savings by Custody Level–SB 491

Attachment 6: Department of Corrections, Potential Impact of New Bill (S.B. 665)

Attachment 1: Department of Corrections, Correctional Facility Capacity as of 12-31-99

FACILITY CAPACITIES

Capacity by Facility, Security Designation of Bedspace, and Gender*

December 31, 1999

Location of Beds	Security Designation by Gender								
	Maximum		Medium		Minimum		All Levels		
	Male	Female	Male	Female	Male	Female	Male	Female	Total
KDOC Facilities									
Lansing Correctional Facility[1]	838		943		708		2489		2489
Hutchinson Correctional Facility	548		932		288		1768		1768
El Dorado Correctional Facility[2]	445		483		172		1100		1100
Norton Correctional Facility[3]			539		280		819		819
Ellsworth Correctional Facility			488		144		632		632
Topeka Correctional Facility	220	78		460		80	220	618	838
Winfield Correctional Facility[4]					710	10	710	10	720
Larned Correctional Mental Health Facility[5]	120				218		338		338
Subtotal: KDOC Facilities	2171	78	3385	460	2520	90	8076	628	8704
Non-KDOC Facilities/Placements									
Larned State Security Hospital	42	5			43		85	5	90
Labette Correctional Conservation Camp					50		50		50
Contract Jail Placements			7		9		16		16
Subtotal: Non-KDOC	42	5	7		102		151	5	156
Total	2213	83	3392	460	2622	90	8227	633	8860

*Includes all beds counted in the capacity as of December 31, 1999. The table does not include the 17 minimum security KDOC beds for females which will be added when the female conservation camp becomes operational in January 2000. Nor does the table include 246 special use beds, which are primarily infirmary and certain types of segregation beds.

1. LCF includes 80 minimum security beds at Osawatomie Correctional Facility.
2. EDCF includes 70 minimum security beds at Toronto Correctional Facility.
3. NCF includes 112 minimum security beds at Stockton Correctional Facility.
4. WCF includes 198 minimum security beds at Wichita Work Release Facility, including 188 for males and 10 for females.
5. Capacity for LCMHF excludes 30 maximum security beds currently being used to house sexually violent predators under the jurisdiction of SRS.

Chart 8:

KDOC Population versus Capacity

	12-31-99 Population	12-31-99 Capacity
MALES		
Lansing Correctional Facility[1]	2357	2489
Hutchinson Correctional Facility	1829	1768
El Dorado Correctional Facility[2]	1087	1100
Norton Correctional Facility[3]	813	819
Ellsworth Correctional Facility	626	632
Topeka Correctional Facility	203	220
Winfield Correctional Facility[4]	677	710
Larned Correctional Mental Health Facility[5]	321	338
Non-KDOC Facilities	83	151
TOTAL	**7996**	**8227**
FEMALES		
Topeka Correctional Facility	561	618
Winfield Correctional Facility (Wichita Work Release)	10	10
Non-KDOC Facilities	2	5
TOTAL	**573**	**633**
MALES AND FEMALES		
GRAND TOTAL	**8569**	**8860**

Notes:

1. LCF includes 80 beds and 74 inmates at Osawatomie Correctional Facility.
2. EDCF includes 70 beds and 70 inmates at Toronto Correctional Facility.
3. NCF includes 112 beds and 104 inmates at Stockton Correctional Facility.
4. WCF includes 188 beds for males and 184 male inmates at Wichita Work Release Facility.
5. Capacity for Larned Correctional Mental Health Facility excludes 30 beds currently being used to house sexually violent predators under the jurisdiction of SRS.
6. Capacity does not include the 17 minimum security KDOC beds for females which will be added when the female conservation camp becomes operational in January 2000.

Attachment 2: Male Prison Population and Capacity by Custody Level

Male Prison Population and Capacity by Custody Level, Assuming No Capacity Expansion

All Data is Males Only	Maximum	Medium	Minimum	Total Male Population
Male Capacity as of 12/31/99	2,213	3,392	2,622	8,227
Male Pop. 3/1/00	2,164	3,379	2,563	8,106
Under Current Capacity	49	13	59	121
FY 2000 Projected Male Pop. Distribution	2,412	3,399	2,486	8,297 (93.47 % of projection)
Over/Under Current Capacity	(199)	(7)	136	(70)
FY 2001 Projected Male Pop. Distribution	2,514	3,409	2,513	8,436 (93.4 % of projection)
Over Current Capacity	(301)	(17)	109	(139)
FY 2002 Projected Male Pop. Distribution	2,523	3,366	2,487	8,376 (93.25 % of projection)
Over Current Capacity	(310)	26	135	(209)
FY 2003 Projected Male Pop. Distribution	2,536	3,301	2,596	8,433 (93.25 % of projection)
Over Current Capacity	(323)	91	26	(207)
FY 2004 Projected Male Pop. Distribution	2,571	3,425	2,633	8,629 (93.25 % of projection)
Over Current Capacity	(358)	(33)	(11)	(402)
FY 2005 Projected Male Pop. Distribution	2,557	3,462	2,643	8,662 (93.25 % of projection)
Over Current Capacity	(344)	(70)	(21)	(435)

A··achment 3: Department of Corrections, End of Month Population Report: March 2000

Kansas Department of Corrections
End-of-month Population Report: March, 2000 (Month 9, FY 2000)

Table 2
Total Admission and Release Events: FY 1998, FY 1999, and FY 2000 to Date*

Type of Admission	Total Admissions FY 1998	Total Admissions FY 1999	Total Admissions FY 2000 to Date	Avg. Number Per Month FY 1998	Avg. Number Per Month FY 1999	Avg. Number Per Month FY 2000 to Date
Admissions by Court Action:						
New Court Commitment	1,172	1,261	928	97.7	105.1	103.1
Probation Violator, No New Sentence	1,487	1,552	1,047	123.9	129.3	116.3
Probation Violator, New Sentence	195	220	154	16.3	18.3	17.1
Parole Violator, New Sentence	280	319	230	23.3	26.6	25.6
Conditional Release Violator, New Sentence	15	13	5	1.3	1.1	0.6
Subtotal: Court Commitments	**3,149**	**3,365**	**2,364**	**262.4**	**280.4**	**262.7**
Return from Court Appearance	73	62	98	6.1	5.2	10.9
Subtotal: Admission by Court Action	**3,222**	**3,427**	**2,462**	**268.5**	**285.6**	**273.6**
Return by KDOC Action:						
Parole Violator, No New Sentence	1,842	2,229	2,194	153.5	185.8	243.8
Conditional Release Violator, No New Sentence	110	118	85	9.2	9.8	9.4
Return from Escape**	27	31	23	2.3	2.6	2.6
Subtotal: Return by KDOC Action	**1,979**	**2,378**	**2,302**	**164.9**	**198.2**	**255.8**
Inter-jurisdictional Transfer:						
Interstate/Federal Compact Received	11	10	15	0.9	0.8	1.7
Kansas Inmate Returned from Another Jurisdiction	8	10	7	0.7	0.8	0.8
Subtotal: Inter-jurisdictional Transfer	**19**	**20**	**22**	**1.6**	**1.7**	**2.4**
Total: All Types of Admission	**5,220**	**5,825**	**4,786**	**435.0**	**485.4**	**531.8**

Note. *Entries prior to July 1, 1994 were coded as probation violation admissions only in cases in which offenders had previously been in KDOC custody on the offense for which the probation was granted originally. All other probation violators had been coded as new court commitments. The entries of these "other" probation violators admitted since July 1, 1994 are now being coded as probation violators, with or without new sentences. The recoding process is reflected in the greater number coded as probation violators and fewer coded as new commitments than for the years prior to FY 1995.*

Attachment 4: Kansas Sentencing Commission, Summary of Beds Saved in Sub. for SB 323

10-10

Kansas Sentencing Commission
Summary of Beds Saved
Under Substitute for Senate Bill 323 items SB 491, SB 665, and Amendments

	SB 665	SB 665	SB 665	SB 665	SB 665	SB 491	SB 491	SB 491	
Fiscal Year	1 No Conditional Probation Violators on N9&N10 Revoked to Prison	2 Combine Criminal History "H"& "I"	3 Graduated Probation Periods – Beds Saved From Cond. Probation Violators Only*	4 Graduated Probation Periods – Beds Saved From Probation Violator w/new Sent*	5 No PIS Period for Cond. Probation Violators, Exclude Departures & Sex Offenders*	6 Increase Jail Time from 30 days to 120 days as condition of probation Exclude N9&N10	7 Mandatory Placement in Community Corrections for Condition Probation Violators	8 Reduce PIS Period Exclude Conditional Probation Violators but Include Sex Offenders & Departures**	9 Total Beds Saved All Mutually Exclusive
2001	176	18	158	32	120	25	168	227	924
2002	178	27	158	32	118	26	133	199	871
2003	184	38	167	35	129	25	110	109	797
2004	193	48	167	37	127	31	112	111	826
2005	186	45	171	35	125	25	113	103	803
2006	191	49	173	35	126	31	116	105	826
2007	197	48	175	35	137	29	119	113	853
2008	195	51	176	38	131	28	122	111	852
2009	201	61	183	39	142	28	124	108	886
2010	202	62	185	37	139	34	123	110	892

* Assumes the same "fully inclusive" provision found in SB 491

** Includes beds saved under the "fully inclusive" provision under SB 491

Attachment 5: Department of Corrections, Total Bed Space Savings by Custody Level–SB 491

TOTAL BEDSPACE SAVING BY CUSTODY LEVEL – SB491

Assumptions or Data Driven Logic:

Sections 1-4 (T=61): 56% Minimum, 27% medium, 17% maximum

Section 5 (T=180): 56% Minimum, 27% medium, 17% maximum

Section 6 (T=218): 43% minimum, 38% medium, 19% maximum

IMPACT
FY 2001

SECTIONS	MAXIMUM	MEDIUM	MINIMUM	TOTAL
1-4	10	16	35	61
5	30	50	100	180
6	41	83	94	218
All Sections	81	149	229	459
Males Only	76 Males	139 Males	214 Males	429 Males

IMPACT
FY 2002

SECTIONS	MAXIMUM	MEDIUM	MINIMUM	TOTAL
1-4	9	15	32	5
5	27	46	94	167
6	41	83	94	218
All Sections	77	144	220	441
Males Only	72	134	205	411

IMPACT
FY 2003

SECTIONS	MAXIMUM	MEDIUM	MINIMUM	TOTAL
1-4	8	12	26	46
5	23	36	75	134
6	42	85	97	224
All	73	133	198	404
Males Only	68	124	185	377

IMPACT
FY 2004

SECTIONS	MAXIMUM	MEDIUM	MINIMUM	TOTAL
1-4	8	13	27	48
5	25	39	82	146
6	43	86	98	227
All	76	138	207	421
Males Only	71	130	191	392

IMPACT
FY 2006

SECTIONS	MAXIMUM	MEDIUM	MIMIMUM	TOTAL
1-4	7	12	24	43
5	22	35	73	130
6	43	88	100	231
All Sections	72	135	197	404
Males	67	126	184	377

IMPACT
FY 2007-2009

FY	MAXIMUM	MEDIUM	MINIMUM	TOTAL
2007	74	136	195	405
2008	73	135	190	398
2009	75	138	195	408

Attachment 6: Department of Corrections, Potential Impact of New Bill (S.B. 665)

Kansas Department of Corrections
Potential Impact of New Bill

1. Using 180 as the pool and assuming that 14% of these inmates were already included in the pool impacted by SB 491, the adjusted impact is estimated to be 155. The custody distribution is 30 maximum, 59 medium and 66 minimum (male and female).

   Distribution: 56% minimum, 27% medium and 17% maximum

2. Using 300 as the pool and assuming that 30% of these inmates (Of the 1726 inmates in the SL 8, 9 and 10 non-drug grid and severity level 3 and 4 drug grid, 506 are SL 9 and 10 non-drug) are included in #1 above only 210 remain. 14% of these are included in the pool impacted by SB 491 leaving 180. The custody distribution is 30 maximum, 50 medium and 100 minimum (male and female).

   Distribution: 56% minimum, 27 % medium and 17% maximum

3. Using 120 as the pool and assuming that 14% of these inmates were already included in the pool impacted by SB 491, the adjusted impact is estimated to be approximately 100. The custody distribution is 19 maximum, 38 medium and 43 minimum. (male and female)

   Distribution: 43% minimum, 38% medium and 19% maximum

Impact Summary

Males

Number	Maximum Custody	Medium Custody	Minimum Custody	Total
1	26	40	78	144
2	28	48	92	168
3	18	37	38	93
Total	72	125	208	405

Females

Number	Maximum Custody	Medium Custody	Minimum Custody	Total
1	1	2	8	11
2	2	2	8	12
3	1	1	5	7
Total	4	5	21	30

Males and Females

Number	Maximum Custody	Medium Custody	Minimum Custody	Total
1	27	42	86	155
2	30	50	100	180
3	19	38	43	100
Total	76	130	229	435

The impact numbers stated above are rough estimates based upon limited information. Actual numbers are contingent upon the date such legislation becomes effective, retroactive provisions, and potential impact from the enactment of other legislation (i.e. SB491).

State of Kansas

KANSAS SENTENCING COMMISSION

Honorable Richard B. Walker, Chair
District Attorney Paul Morrison, Vice Chair
Barbara S. Tombs, Executive Director

MEMORANDUM

TO: **House Appropriations Committee**

FROM: **Barbara Tombs, Executive Director** BT

RE: **House Substitute for SB 323**

DATE: **April 19, 2000**

House Substitute for Senate Bill 323 contains the provisions of SB 490, SB 491 and SB 665, all of which deal with various changes to sentencing practices under the Sentencing Guidelines Act. None of the proposed changes contained within the provisions of SB 323 reduce prison sentences nor do they result in any offender, who receives a presumptive prison sentence under sentencing guidelines, being released early from prison. The provisions set forth in this bill target offenders currently supervised in the community under probation, community corrections or postrelease supervision.

FY 1999 data indicates that 66.7% (3,933 offenders) of the total admissions to prison were the result of condition violations of either probation or parole/postrelease supervision. Condition violations are defined as failure of the offender to abide by the conditions of their community supervision. Offenders on community supervision who are convicted of a new offense are not included in the condition violator category. Offenders on community supervision, who were convicted of a new offense, only represented 9% (534 offenders) of the total admissions in FY 1999.

SB 323 seeks to implement changes to the current sentencing procedures that deal more effectively with condition violators by re-examining the periods of supervision and structuring community punishment options to more efficiently utilize, both limited state resources and prison beds, while maintaining an appropriate and necessary level of public safety. The bill contains numerous provisions that are designed to work in conjunction with each other to limit the number of condition violators entering state correctional facilities, thus reserving prison beds for the pronounced stacking effect that the state has begun to fully experience and will continue to experience over the next five to eight years. Ignoring the impact that condition violators are having on the correctional system, even if new construction was to occur, would only result in the state facing this same crisis in prison overcrowding within the near future.

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House Appropriations
4-19-00
Attachment 11

PROVISIONS OF SB 490

(1) This bill identifies the target population of offenders for placement in Community Corrections programs.

- The bill was drafted in response to a request from the Joint Committee on Corrections and Juvenile Justice Oversight that the Sentencing Commission review and identify a target population for Community Corrections programs that would enable the most efficient use of limited resources and provide the level of supervision necessary for high-risk offenders.

- At the current time, criteria for placement in community corrections vary tremendously across the state. Community Corrections populations may include conditional violators, drug offenders, sex offenders, property offenders, juvenile offenders and intensive supervision offenders. Given the wide variation of supervision levels and program needs required for these different populations, the effectiveness of community corrections could be enhanced considerably if a target population for placement in community corrections was defined.

- In addition, a designated population for placement in community corrections would help define the core continuum of sanctions that should be developed and ensure program availability for offenders who pose the greatest risk to public safety.

- The Sentencing Commission appointed a Subcommittee that included representatives from the judiciary, community corrections, court services, the parole board, corrections and prosecutors to review and identify the offender population which would be best served by the level of supervision and programs available through community corrections. The target population identified for placement in community corrections is as follows:

    - Adult offenders convicted of felony offenses.

    - Offenders whose sentence falls within designated border boxes on both the Nondrug and Drug sentencing grids. Sentencing Grid boxes included are: 5-H, 5-I or 6-G of the Nondrug grid and 3-E, 3-F, 3-G, 3-H, 3-I, 4-E or 4-F of the Drug grid.

    - An offender whose severity level and criminal history classification designates a presumptive prison sentence on either sentencing grid but the offender receives a nonprison sentence as a result of a dispositional departure.

    - An offender convicted of a sex offense designated severity level 7 or higher and the sentence is presumptive nonprison on the sentencing grid.

- ♦ Condition violators of a probation sentence who have not been convicted of a new offense, prior to revocation and imposition of the underlying prison sentence to be served in a state correctional facility.

- ♦ Any offender who is determined to be "high risk/need" by the use of a statewide mandatory validated risk assessment tool or instrument utilized by court services.

(2) The bill was amended to designate the development of a standardized mandatory risk/needs assessment tool or instrument by January 1, 2001. By developing and utilizing a risk/needs assessment tool, offenders not specifically identified in the designated target group, such as high risk drug offenders, would still be eligible for placement in community corrections if the assessment tool indicated they were high risk/need.

(3) A second amendment identifies offenders who successfully complete the state's conservation camp program (boot camp) be placed in community corrections as a condition of supervision. This permits a higher level of supervision for a specific offender group. In addition, language was struck that would prohibit the placement of an offender in a community corrections program if the offender had committed a new felony while on probation or assignment. This change would allow the court to make the decision whether the offender should be revoked and sent to prison or placed in a suitable community corrections program.

(4) Although the target population for placement in community corrections is identified as adult offenders with felony convictions, a provision was amended into the bill that would not prohibit a community corrections program from providing services to juvenile offenders if approved by the local community advisory board. However, grants from the community corrections fund administered by the Secretary of Corrections would not be expanded for services provided to juvenile offenders.

(5) The bill does contain a provision at Section 1, subsection (a)(3) at line 22 that states the court may require an offender for whom a violation of conditions of release or assignment, or a nonprison sanction has been established, as provided in K.S.A. 22-3716 and amendments thereto, to serve any time for the sentence imposed or which might originally have been imposed in a state correctional facility without prior assignment to a community corrections program if the court finds and sets forth with particularity the reasons for the finding that public safety will be jeopardized or the welfare of the inmate would not be served by assignment to community corrections.

- ♦ The effective date of this bill has been designated as January 1, 2001, to allow for the development and implementation of the risk/needs assessment tool.

PROVISIONS OF SB 491

(1) Sections 1-4 of the bill increase the amount of jail time that a judge can impose as a condition of probation from the current 30 days to 120 days.

- ♦ Underlying premise for this change is that often an offender will receive an initial 30 day jail sentence as a condition of his/her probation (often referred to as shock incarceration). If at a later time during the probation period an offender violates conditions of the probation, the court often has no alternative due to the current statutory provision but to revoke the probation and impose the entire underlying prison sentence. By extending the current period of jail time allowable, the condition violation can be sanctioned and the offender held accountable, without utilizing scarce, expensive prison beds.

- ♦ By extending the current jail time, the offender can also maintain family contact and provide support for that family, which the state may otherwise have to assume. Many jails have work release programs that enable an offender to continue employment and pay for all or a portion of his/her incarceration cost. Finally, confinement in local correctional facilities provides the opportunity for continuation in behavior modification or treatment programs that the offender may be participating in such as drug treatment or anger management.

(2) Section 5 of the bill establishes a new provision that condition probation violators cannot be revoked directly to prison without a prior placement in community corrections.

- ♦ FY 1999 data indicates that 35% (543) of condition probation violators were revoked directly from court services to the Department of Corrections without a prior placement in community corrections.

- ♦ Community Corrections programs were developed to provide a higher level of supervision and to operate more as an intermediate sanction. By implementing a graduated level of supervision prior to revocation, a more efficient use of both supervision personnel and expensive prison beds can be achieved.

- ♦ There is an exception provision that permits direct revocations to a state correctional facility if the court finds the offender presents a serious public safety risk or the best interest of the offender would not be served by placement in community corrections.

(3) Section 6 of the bill modifies the periods of postrelease supervision for some lower severity levels. No changes are made to the time the offender serves in prison only to their period of supervision upon the offender's release from prison. The changes in the period of postrelease supervision closely mirror the original periods of supervision that were enacted with the passage of the guidelines in 1993.

Severity Level	Current	Proposed
Non-drug Severity Levels 1-4	36mos-Earn Back to 24 mos	36mos-Earn Back to 24 mos
Drug Severity Levels 1 & 2	36mos-Earn Back to 24 mos	36mos-Earn Back to 24 mos
Non-drug Severity Levels 5-6	36mos-Earn Back to 24 mos	24mos-Earn Back to 12 mos
Drug Severity Level 3	36mos-Earn Back to 24 mos	24mos–Earn Back to 12 mos
Non-drug Severity Levels 7-10	24mos-Earn Back to 12 mos	12 mos-Earn Back to 6 mos
Drug Severity Level 4	24mos-Earn Back to 12 mos	12 mos-Earn Back to 6 mos

- FY 1999 data indicates that 2,347 parole/postrelease condition violators were admitted to prison, accounting for approximately 38% of total prison admissions for that year.

- In FY 2000 to date (9 months of the FY), 2,279 parole/postrelease condition violators have been admitted to prison, indicating a monthly average to date of 253 prison admissions.

- On April 20, 1995, legislation was enacted that increased the original 24/12 months period of postrelease supervision to the current postrelease period of 24/36 months.

- In reviewing the periods of postrelease supervision in other sentencing guideline states, there was no consistent trend indicated. Some states have shorter periods of supervision, for example North Carolina has a nine-month period of supervision. Other states set the period of supervision as a percentage of the offender's total sentence, for example Minnesota calculates the period of postrelease supervision as one-third the length of the sentence imposed.

- Given the seriousness of the offenses and the lengths of sentences on nondrug severity levels 1-4 and drug severity levels 1-2, the Commission did not recommend that the current periods of postrelease supervision be modified for these specific severity levels.

- The proposed modified periods of postrelease supervision would be fully inclusive.

- The bill does contain a six month phase-in period for the modified periods of postrelease supervision that will allow the Department of Corrections adequate time to complete the necessary sentence recalculations and required computer programming for the department's database. The bill proposes that offenders sentenced on nondrug severity levels 9 and 10 and drug severity level 4 have their postrelease supervision periods recalculated by September 1, 2000. Offenders on nondrug severity levels 7 and 8 will be converted by November 1, 2000. Offenders sentenced on nondrug severity levels 5 and 6 and drug severity level 3 be converted by January 1, 2001

PROVISIONS OF SB 665

(1) Condition probation violators sentenced on nondrug severity level 9 and 10 will not be revoked to serve their underlying prison sentence in a state correctional facility. Violations of an offender's probation will be dealt with through enhanced community supervision such as community corrections, electronic monitoring, intensive supervision etc. This provision only applies to offenders who violate the conditions of probation not to offenders convicted of a new offense.

- Underlying premise for the proposed change is that these specific severity levels contain low level nonperson, nonviolent offenses. Underlying prison sentences for severity level 10 range from 5 to 11 months and for severity level 9 the range is 5 to 13 months. Actual lengths of stay in prison are relatively short when jail credits, good time and the lag time until revocation occurs are considered.

- Current lengths of stay in prison for this offender group are as follows:
  - Severity Level 9 — 4.2 months
  - Severity Level 10 — 2.2 months

- Although the length of stay in prison for this offender group is relatively short, they represented 26% (1,035) of all condition probation violator admissions in FY 1999.

- Given the nature of offenses designated as severity level 9 and 10, maintaining public safety can be achieved through appropriate and adequate community supervision, including electronic monitoring, intensive supervision or day reporting centers. The cost benefit to the state occurs from reserving expensive prison beds for violent offenders while providing enhanced community supervision. Offenders are held accountable for their failure to follow rules and the conditions of their probation.

- This provision of the bill is fully inclusive.

(2) Graduated Probation Periods by Severity Level – Currently there are two standard lengths of probation designated as either 24 or 36 months. This provision proposes to adjust the periods of probation in relation to the seriousness of the offense determined by the assigned severity level.

Current:

Nondrug Severity Levels 1-5	36 Mos.
Drug Severity Levels 1-3	36 Mos.
Nondrug Severity Levels 6-10	24 Mos.
Drug Severity Level 4	24 Mos.

Proposed:

Nondrug Severity Levels 1-5	Remain at 36 Mos.
Drug Severity Level 1-2	Remain at 36 Mos.
Nondrug Severity levels 6 and 7	Remain at 24 Mos
Nondrug Severity Level 8 and Drug Severity Level 3	Changed to 18 Mos.
Nondrug Severity Levels 9&10	Changed to 12 Mos.
Drug Level 4	Changed to 12 Mos.

- The underlying premise for the modification in periods of probation is that the period of community supervision should correlate to the degree of harm or threat to public safety an offender presents as the result of a conviction for a specific offense. Prior research has indicated that for some groups of low level offenders, extended periods of supervision actually have a negative impact on reinforcing positive anti-criminal behavior. In addition, by modifying the periods of probation, case loads of court service officers are reduced, allowing for more intense supervision of high-risk offenders

- This provision does contain an option for the court to impose a longer period of probation if there is a finding that public safety would be jeopardized or the best interest of the offender would not be served with the designated period of probation set forth.

- This provision of the bill is fully inclusive.

(3) Criminal history categories "H" and "I" on both the Drug and Nondrug grids are combined to form one criminal history category entitled **"Prior Misdemeanors or No Record."** The sentence lengths currently used for category "I" would be used for the new combined category – which would be called "H" on both sentencing grids.

- Premise for the proposed change is that Sentencing Guidelines are applicable to felony offenses only. Prior felony convictions do have a significant impact on sentence length. However, the impact on sentence length between one prior misdemeanor and more than one misdemeanor is limited. By combining these two criminal history categories, the sentence length is marginally impacted. In addition, although there is initially a small bedspace savings, this provision results in a reverse "stacking effect" over a long period of time.

- This provision of the bill is not fully inclusive.

(4) Condition probation violators who are revoked to prison, would serve their underlying prison sentence but would not be subject to a period of postrelease supervision.

- **This pool of offenders would not include:** offenders on probation for sex offenses, offenders on probation as the result of a departure, offenders who receive probation under border boxes or offenders who have had their probation revoked due to a conviction for a new crime.

- The offender would be discharged from supervision after serving the imposed prison sentence.

- In order for an offender to be admitted to prison for an offense falling below the incarceration line on either sentencing grid, the prison sentence must be the result of either a probation revocation or a dispositional departure by the court at the time of sentencing. Dispositional departures account for only 2.4% (127) of the 5,185 prison admissions beneath the incarceration line.

- For an offender failing to comply with the conditions of his/her probation sentence, having the probation sentence revoked and being sentenced to a state correctional facility to serve the underlying prison sentence punishes the offender. By imposing a period of supervision upon the offender's release from prison, the offender is subject to another period supervision for an offense that was originally classified as posing such a limited threat to public safety that a nonprison sanction was appropriate. The issue of cost benefit to the state of this practice warrants analysis. Typically, these offenders do not pose a threat to public safety but rather possess behavior traits that result in the inability to follow rules or to incorporate structure in their lives. Although it is necessary and desirable to follow rules, it should be noted that rules are interpreted differently than laws. The issue can be raised as to whether it is the best use of limited criminal justice resources to emphasize compliance with rules rather than laws, especially when the offender has already been held accountable and punished.

- Premise for this proposed change is based on the underlying purpose of postrelease supervision. If postrelease supervision is imposed upon an offender's release from prison to facilitate the offender's reintegration into society is that supervision necessary or appropriate if the offender has only been incarcerated six or seven months? With current periods of postrelease set at 24 or 36 months, the situation occurs where an offender can be on postrelease supervision for three to four times longer than they were incarcerated.

- This provision of the bill would be fully inclusive.

6-11

SB 323
SUMMARY OF BEDSPACE SAVINGS
INCLUDES
SB 490, SB 491, SB 665 And AMENDMENTS

Fiscal Year	1 No Conditional Probation Violators on N9&N10 Revoked to Prison*	2 Combine Criminal History "H"& "I"	3 Graduated Probation Periods – Beds Saved From Cond. Probation Violators Only*	4 Graduated Probation Periods – Beds Saved From Probation Violator w/new Sent*	5 No PIS Period for Cond. Probation Violators, Exclude Departures & Sex Offenders*	6 Increase Jail Time from 30 days to 120 days as condition of probation Exclude N9&N10	7 Mandatory Placement in Community Corrections for Condition Probation Violators	8 Reduce PIS Period Exclude Conditional Probation Violators but Include Sex Offenders & Departures*	9 **Total Beds Saved** **All Mutually Exclusive**
2001	176	18	158	32	120	25	168	227	924
2002	178	27	158	32	118	26	133	199	871
2003	184	38	167	35	129	25	110	109	797
2004	193	48	167	37	127	31	112	111	826
2005	186	45	171	35	125	25	113	103	803
2006	191	49	173	35	126	31	116	105	826
2007	197	48	175	35	137	29	119	113	853
2008	195	51	176	38	131	28	122	111	852
2009	201	61	183	39	142	28	124	108	886
2010	202	62	185	37	139	34	123	110	892

* Assumes implementation of the fully inclusive" provision

House Appropriations
4-19-00
Attachment 12

SENTENCING RANGE - NONDRUG OFFENSES

Category⇒	A	B	C	D	E	F	G	H	I
Severity Level ⇓	3 + Person Felonies	2 Person Felonies	1 Person & 1 Nonperson Felonies	1 Person Felony	3 + Nonperson Felonies	2 Nonperson Felonies	1 Nonperson Felony	2 + Misdemeanor	1 Misdemeanor No Record
I	653 620 592	618 586 554	285 272 258	267 253 240	246 234 221	226 214 203	203 195 184	186 176 166	165 155 147
II	493 467 442	460 438 416	216 205 194	200 190 181	184 174 165	168 160 152	154 146 138	138 131 123	123 117 109
III	247 233 221	228 216 206	107 102 96	100 94 89	92 88 82	83 79 74	77 72 68	71 66 61	61 59 55
IV	172 162 154	162 154 144	75 71 68	69 66 62	64 60 57	59 56 52	52 50 47	48 45 42	43 41 38
V	136 130 122	128 120 114	60 57 53	55 52 50	51 49 46	47 44 41	43 41 38	38 36 34	34 32 31
VI	46 43 40	41 39 37	38 36 34	36 34 32	32 30 28	29 27 25	26 24 22	21 20 19	19 18 17
VII	34 32 30	31 29 27	29 27 25	26 24 22	23 21 19	19 18 17	17 16 15	14 13 12	13 12 11
VIII	23 21 19	20 19 18	19 18 17	17 16 15	15 14 13	13 12 11	11 10 9	11 10 9	9 8 7
IX	17 16 15	15 14 13	13 12 11	13 12 11	11 10 9	10 9 8	9 8 7	8 7 6	7 6 5
X	13 12 11	12 11 10	11 10 9	10 9 8	9 8 7	8 7 6	7 6 5	7 6 5	7 6 5

LEGEND
Presumptive Probation
Border Box
resumptive Imprisonment

Recommended probation terms are:

36 months for felonies classified in Severity Levels 1 - 5
24 months for felonies classified in Severity Levels 6 - 10

Postrelease terms are:

For felonies committed before 4/20/95

24 months for felonies classified in Severity Levels 1 - 6
12 months for felonies classified in Severity Level 7 - 10

For felonies committed on or after 4/20/95

36 months for felonies classified in Severity Levels 1 - 6
24 months for felonies classified in Severity Level 7 - 10

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SENTENCING RANGE - DRUG OFFENSES

Category ⇒	A	B	C	D	E	F	G	H	I
Severity Level ⬇	3 + Person Felonies	2 Person Felonies	1 Person & 1 Nonperson Felonies	1 Person Felony	3 + Nonperson Felonies	2 Nonperson Felonies	1 Nonperson Felony	2 + Misd.	1 Misd. No Record
I	204 194 185	196 186 176	187 178 169	179 170 161	170 162 154	167 158 150	162 154 146	161 150 142	154 146 138
II	83 78 74	77 73 68	72 68 65	68 64 60	62 59 55	59 56 52	57 54 51	54 51 49	51 49 46
III	51 49 46	47 44 41	42 40 37	36 34 32	32 30 28	26 24 23	23 22 20	19 18 17	16 15 14
IV	42 40 37	36 34 32	32 30 28	26 24 23	22 20 18	18 17 16	16 15 14	14 13 12	12 11 10

LEGEND
Presumptive Probation
Border Box
Presumptive Imprisonment

Recommended probation terms are:

36 months for felonies classified in Severity Levels 1 - 3

24 months for felonies classified in Severity Level 4

Postrelease supervision terms are:

For felonies committed before 4/20/95

24 months for felonies classified in Severity Levels 1 - 3

12 months for felonies classified in Severity Level 4

For felonies committed on or after 4/20/95

36 months for felonies classified in Severity Levels 1 - 3

24 months for felonies classified in Severity Level 4

PRISON POPULATION MONTHLY MONITORING REPORT
FY 2000 OFFICIAL MODEL

Month/Year	Projected	Actual	Difference	Percent Error	Conditional Violators*
July 1999	8500	8489	11	0.13%	234
August 1999	8502	8509	-7	-0.08%	169
September 1999	8517	8517	0	0.00%	220
October 1999	8555	8577	-22	-0.26%	316
November 1999	8595	8534	61	0.71%	219
December 1999	8608	8569	39	0.46%	270
January 2000	8707	8621	86	1.00%	263
February 2000	8754	8700	54	0.62%	288
March 2000	8782	8707	75	0.86%	300
April 2000	8802				
May 2000	8849				
June 2000	8877				

* Conditional violators includes parole/post-release violators and conditional release violators.

12-4

PRISON ADMISSIONS - NEW COMMITMENT BY GROUP
FY 1996 THROUGH FY 2000*

Month	New Court Commits					Probation/Cond Violator					Probation/ New Sentence					Total New Commitment				
	FY 96	FY 97	FY 98	FY 99	FY 00	FY 96	FY 97	FY 98	FY 99	FY 00	FY 96	FY 97	FY 98	FY 99	FY 00	FY 96	FY 97	FY 98	FY 99	FY 00
July	104	113	105	95	99	91	101	109	156	108	11	16	17	13	17	206	230	231	264	224
August	104	96	79	105	108	105	97	112	118	120	15	25	12	19	18	224	218	203	242	246
September	123	117	129	103	100	98	114	145	117	121	20	13	14	16	18	241	244	288	236	239
October	140	115	102	88	124	141	135	135	130	98	32	21	17	21	16	313	271	254	239	238
November	91	106	87	78	91	82	95	101	112	135	24	18	11	13	10	197	219	199	203	236
December	113	133	116	127	95	65	99	107	137	97	9	17	16	12	19	187	249	239	276	211
January	119	103	102	109	99	87	105	113	112	116	20	16	21	25	12	226	224	236	246	227
February	99	101	85	116	98	97	83	126	122	138	16	8	18	22	22	212	192	229	260	258
March	102	116	98	127	114	120	124	126	135	114	31	17	15	22	22	253	257	239	284	250
April	110	94	72	111		114	133	143	125		20	14	17	25		244	241	232	261	
May	130	105	101	101		112	122	144	131		28	15	18	17		270	242	263	249	
June	116	111	96	101		105	93	126	157		20	22	16	15		241	226	238	273	
Total	1351	1310	1172	1261	928	1217	1301	1487	1552	1047	246	202	192	220	154	2814	2813	2851	3033	2129
Monthly Average	113	109	98	105	103	101	108	124	129	116	21	17	16	18	17	235	234	238	253	237

*. Admissions indicated in this chart do not include escapees, and inmates from interstate compacts.

12-5

VIOLATORS AND RELEASE
FY 1996 THROUGH FY 2000

Month	Parole/Post Rel. /Cond. Rel. Violator**					Parole/Post Rel./Cond. Rel. New Sentence					Release				
	FY96	FY97	FY98	FY99	FY00	FY96	FY97	FY98	FY99	FY00	FY96	FY97	FY98	FY99	FY00
July	136	139	136	176	234	16	22	19	29	18	337	412	430	516	530
August	160	135	131	197	169	22	24	21	23	29	328	373	391	482	458
September	120	140	159	169	220	15	29	23	29	23	351	368	393	380	496
October	111	136	162	161	316	32	19	16	24	20	445	352	433	490	534
November	104	175	163	186	219	23	26	25	29	36	375	376	367	435	546
December	80	174	179	232	270	23	31	27	30	28	352	387	478	424	496
January	98	137	165	144	263	32	14	25	24	28	308	382	449	421	479
February	125	152	169	201	288	26	16	31	25	28	314	399	412	398	507
March	113	139	182	254	300	25	21	19	30	25	290	364	427	477	581
April	112	120	172	233		19	32	34	29		331	394	426	478	
May	123	139	151	191		27	26	30	27		361	438	406	471	
June	129	117	183	203		20	24	25	33		363	366	413	467	
Total	1411	1703	1952	2347	2279	280	284	295	332	235	4155	4611	5025	5439	4627
Monthly Average	118	142	163	196	253	23	24	25	28	26	346	384	419	453	514
Range Low	80	117	131	144	169	15	14	16	23	18	308	352	367	380	458
Range High	160	175	183	254	316	32	32	34	33	36	445	438	478	516	581
Difference	80	58	52	110	147	17	18	18	10	18	137	86	111	136	123

** Admissions to prison are the result of a violation of the conditions of either parole or post-release supervision that did not result in a conviction and sentence for a new offense. This group includes conditional release violators.

FELONY CRIMES
SORTED BY SEVERITY LEVEL AND THEN BY STATUTE NUMBER

REFERENCE	DESCRIPTION	F	LEVEL	P/N
21-3401	Murder in the first degree			
21-3801	Treason	F	Offgrid	P
21-3439	Capital Murder	F	Offgrid	P
21-3412(c)(3)	Domestic battery; third or subsequent w/in last 5 years	F	Offgrid	P
8-1567(f)	Driving under the influence of alcohol or drugs; third or subsequent conviction	F	Nongrid	P
9-2002	Banking; Making false reports of statements; a class D felony under old law	F	Nongrid	N
21-3401	Murder in the first degree; Attempt (21-3301)	F	Unranked	N
21-3402(a)*	Intentional second degree murder	F	1	P
21-3421	Aggravated kidnapping	F	1	P
21-3801	Treason; Attempt (21-3301)	F	1	P
65-4142(e)(4)	Knowingly or intentially receiving/acquiring proceeds or engaging in transactions involving proceeds...> $500,000	F	1	P
65-4159(b)*	Drugs; Unlawfully manufacture controlled substance	F	1D	N
S.HB2469§12(d)*	Drugs: Possession of ephedrine, pseudoephedrine or phenylpropanolamine; precursor to illegal substance, etc.	F	1D	N
65-4160(c)	Drugs; Opiates or narcotics; Possession; third and subsequent offense	F	1D	N
65-4161(c)	Drugs; Opiates or narcotics; Sale, poss. w/intent to sell, etc.; third and subsequent offense	F	1D	N
21-3502(a)(1)	Rape; sexual intercourse with a person who does not consent; overcome by force, fear, etc.	F	1D	N
21-3502(a)(2)	Rape; sexual intercourse with a child <14 yoa	F	1	P
65-4142(e)(3)	Knowingly or intentially receiving/acquiring proceeds or engaging in transactions involving proceeds... ≥ $100,000 < 500,000	F	1	P
21-3401	Murder in the first degree; Conspiracy (21-3302)	F	2D	N
21-3402(b)	Murder in the second degree (reckless)	F	2	P
21-3801	Treason; Conspiracy (21-3302)	F	2	P
65-4160(b)	Drugs; Opiates or narcotics; Possession; second offense	F	2	P
65-4161(d)	Drugs; Opiates or narcotics; Sale, poss. w/intent to sell, etc. 1st off. w/in 1,000' of school property	F	2D	N
65-4161(b)	Drugs; Opiates or narcotics; Sale, poss. w/intent to sell, etc.; second offense	F	2D	N
65-4163(b)	Drugs; Depressants, stimulants, hallucinogenics, etc.; Sale, possession w/intent to sell, etc. w/in 1,000' of a school	F	2D	N
21-3502(a)(3)	Rape; knowing misrepresentation that sexual intercourse medically/therapeutically necessary procedure	F	2D	N
21-3502(a)(4)	Rape; knowing misrepresentation that sexual intercourse legally required procedure w/in scope of authority	F	2	P
21-3506(a)(1)	Aggravated criminal sodomy; sodomy with a child <14 yoa	F	2	P
21-3506(a)(2)	Aggravated criminal sodomy; causing a child <14 yoa to engage in sodomy with a person or animal	F	2	P
21-3506(a)(3)	Aggravated criminal sodomy; sodomy with person who does not consent; overcome by force, etc.	F	2	P
65-4159(b)(1)	Drugs; Unlawfully manufacture controlled substance; first offense	F	2	P
65-4142(e)(2)	Knowingly or intentionally receiving or acquiring proceeds or engaging in transactions involving proceeds... ≥ $5,000 < $100,000	F	2D	N
21-3401	Murder in the first degree; Solicitation (21-3303)	F	3D	N
21-3403	Voluntary manslaughter	F	3	P
21-3406(a)(1)	Assisting suicide (force or duress)	F	3	P
21-3420	Kidnapping	F	3	P
21-3427	Aggravated robbery	F	3	P
21-3801	Treason; Solicitation (21-3303)	F	3	P
21-4219(b)	Criminal discharge of a firearm at occupied dwelling or vehicle resulting in great bodily harm	F	3	P
65-4161(a)	Drugs; Opiates or narcotics; Sale, poss. w/intent to sell, etc.; first offense	F	3	P
65-4163(a)	Drugs; Depressants, stimulants, hallucinogenics, etc.; Sale, possession w/intent to sell, etc.	F	3D	N
21-3415(b)(1)	Aggravated battery on LEO - intentional, great bodily harm (see 21-3414(a)(1)(A)	F	3D	N
21-3504(a)(1)	Aggravated indecent liberties w/child; ≥14 yoa, but <16 yoa; sexual intercourse	F	3	P
21-3504(a)(3)	Aggravated indecent liberties w/child; <14 yoa; lewd fondling or touching	F	3	P
21-3505(a)(2)	Criminal sodomy; sodomy with a child ≥14 yoa, but <16 yoa	F	3	P
21-3505(a)(3)	Criminal sodomy; causing child ≥14 yoa, but <16 yoa to engage in sodomy with a person or animal	F	3	P
21-3719(b)(1)	Aggravated arson; substantial risk of bodily harm	F	3	P
65-4142(e)(1)	Knowingly or intentionally receiving or acquiring proceeds or engaging in transactions involving proceeds known to be derived from any violation of the uniform controlled substances act, < $5,000	F	3	P
65-4152*	Drugs; Poss. of paraphernalia w/intent to use for planting, growing, harvesting, manuf., etc. any controlled substance	F	4D	N
21-3440	Injury to a pregnant woman in the commission of a felony	F	4D	N
21-3442	Involuntary manslaughter in the commission of a DUI	F	4	P
65-4160(a)	Drugs; Opiates or narcotics; Possession; first offense	F	4	P
65-4162(a)	Drugs; Depressants, stimulants, hallucinogenics, etc.; Possession; second and subs.	F	4D	N
65-4164(a)	Drugs; Substances in K.S.A. 65-4113; Sale, possession with intent to sell, deliver, etc.	F	4D	N
21-3414(a)(1)(A)	Aggravated battery - intentional, great bodily harm	F	4D	N
21-3504(a)(2)	Aggravated indecent liberties w/child; ≥14 yoa, but <16 yoa; lewd fondling or touching without consent	F	4	P
21-3419a(d)	Aggravated criminal threat; ≥ $25,000 loss of productivity	F	4	P
S.HB2469§5(a)(3)*	Unlawful endangerment: setup, build device, to protect controlled substance; serious physical injury	F	4	P
21-3419a(c)	Aggravated criminal threat; ≥ $500 but less than $25,000 loss of productivity	F	5	P
21-3440	Injury to a pregnant woman in commission of K.S.A. 21-3412 (aggravated assault), K.S.A. 21-3413(a)(1), battery or KSA 21-3517, sexual battery	F	5	P
21-3404	Involuntary manslaughter	F	5	P
		F	5	P

Legend
F = Felony
M = Misdemeanor

P = Scored as person
N = Scored as nonperson
S = Scored as select
NS = Not scored

* This crime was created or the severity level of this crime was amended during the 1999 legislative session.

REF CE	DESCRIPTION	F/M	L	
21-3426	Robbery	F	5	P
21-3518	Aggravated sexual battery; intentional touching, without consent, who is ≥16 yoa; force, fear, etc.	F	5	P
21-3604a	Aggravated abandonment of a child	F	5	P
21-3609	Abuse of a child; involves child <18 yoa; intentional torture, cruelly beating, etc.	F	5	P
21-3716	Aggravated burglary	F	5	P
21-4219(b)	Criminal discharge of a firearm at occupied dwelling or vehicle resulting in bodily harm	F	5	P
21-3413(a)(2)*	Battery against a correctional officer	F	5	P
21-3413(a)(3)*	Battery against a juvenile correctional facility officer	F	5	P
21-3413(a)(4)*	Battery against a juvenile detention facility officer	F	5	P
21-3413(a)(5)*	Battery against a city/county correctional officer/employee	F	5	P
21-3414(a)(2)(A)	Aggravated battery - reckless, great bodily harm	F	5	P
21-3503(a)(1)	Indecent liberties w/child; child ≥14 yoa, but <16 yoa; lewd fondling or touching	F	5	P
21-3503(a)(2)	Indecent liberties w/child; child ≥14 yoa, but <16 yoa; soliciting to engage in lewd fondling, etc.	F	5	P
21-3516(a)(1)	Sexual exploitation of a child; employing, etc. child <18 yoa to engage in sexually explicit conduct	F	5	P
21-3516(a)(2)	Sexual exploitation of a child; possessing visual medium of child <18 yoa engaging in such conduct	F	5	P
21-3516(a)(3)	Sexual exploitation of a child; guardian permitting child <18 yoa to engage in such conduct	F	5	P
21-3516(a)(4)	Sexual exploitation of a child; promoting performance of child <18 yoa to engage in such conduct	F	5	P
21-3603(a)(2)(A)	Aggravated incest; Otherwise lawful sexual intercourse or sodomy with relative ≥16 yoa, but <18 yoa	F	5	P
21-3718(b)(1)	Arson; damage resulting in loss of ≥ $50,000	F	5	N
21-3810(a)(2), (7)*	Aggravated escape from custody; escaping while held in lawful custody upon a felony, etc.	F	5	N
21-3810(b)(2), (7)*	Aggravated escape from custody; escape is facilitated by the use of violence or threat of violence	F	5	P
21-3826(c)(1)	Traffic in contraband in a correctional institution; firearms, ammunition, explosives, controlled substance	F	5	N
21-3826(c)(2)	Traffic in contraband in a correctional institution by an employee of a correctional insitution	F	5	N
44-5,125(a)(1)(vi)	Worker's Compensation Fund fraud > $100,000	F	5	N
21-3731(b)(2)	Criminal use of explosives intended to be used to commit a crime, a public safety officer is placed at risk to diffuse the explosive or if another human being is in the building where the explosives are used	F	6	P
	KSA 21-3414(a)(1)(B) and 21-3414(a)(1)(C))	F	6	P
21-3419a(b)	Aggravated criminal threat; < $500 loss of productivity	F	6	P
17-1253	Securities; <u>intentional</u> unlawful offers, sale or purchase	F	6	N
21-3411	Aggravated assault on law enforcement officer	F	6	P
21-3437	Mistreatment of a dependant adult - physical	F	6	P
21-3511(a)	Aggravated indecent solicitation of a child; <14 yoa to commit or submit to unlawful sexual act	F	6	P
21-3511(b)	Aggravated indecent solicitation of a child; <14 yoa, inviting, etc. to enter secluded place	F	6	P
21-3742(d)	Throwing objects from bridge or overpass; resulting in injury to a passenger of vehicle	F	6	P
21-3810(b)(1),(3-6)*	Aggravated escape from custody; escape is facilitated by the use of violence or threat of violence	F	6	P
21-3826(d)	Traffic in contraband in a correctional institution	F	6	N
21-3829	Aggravated interference with conduct of public business	F	6	P
21-3833	Aggravated intimidation of a witness or victim	F	6	P
21-4215	Obtaining a prescription only drug by fraudulent means for resale	F	6	N
40-2,118	Insurance; Fraudulent acts in an amount of more than $25,000	F	6	N
65-3441(c)	Hazardous Wastes; Knowingly violates unlawful acts included in paragraphs 1-11, subsection (a)	F	6	N
21-3513(b)(3)	Prostitution; Promoting prostitution when prostitute is <16 yoa	F	6	P
21-3718(b)(2)	Arson; damage resulting in loss of ≥ $25,000, < $50,000	F	6	N
21-3719(b)(2)	Aggravated arson; <u>no</u> substantial risk of bodily harm	F	6	P
44-5,125(a)(1)(iv)	Worker's Compensation Fund fraud > $50,000 < $100,000	F	6	N
S.HB2469§5(a)(2)*	Unlawful endangerment: setup, build device, to protect controlled substance; physical injury	F	7	P
21-3846(b)(1)	Medicaid Fraud; false claim, statement or representation to madicaid progarm; ≥ $25,000	F	7	N
9-2012	Banking; Embezzlement; Intent to defraud	F	7	N
16-0305	Violation of prearranged funeral agreements act $25,000 or more	F	7	N
16-0633	Contract; Investment Certificates; Unlawful receipt of commission	F	7	N
16-0634	Contract; Investment Certificates; Unlawful receipt/possession of company property	F	7	N
16-0635	Contract; Investment Certificates; Unlawful acts pertaining to books/records	F	7	N
16-0640	Contract; Investment Certificates; Unlawful Acts or Omissions	F	7	N
16a-5-301(1)*	Violation of the Uniform Consumer Credit Code; second or subsequent offense	F	7	N
17-1254	Securities; <u>intentional</u> unlawful sale by an unregistered dealer	F	7	N
17-1255	Securities; <u>intentional</u> unlawful sale of unregistered securities	F	7	N
17-1267	Secutities; <u>intentional</u> violation of any rule and regulation adopted or order issued under the Securities Act	F	7	N
21-3410	Aggravated assault	F	7	P
21-3422a(b)	Aggravated interference with parental custody	F	7	P
21-3428	Blackmail	F	7	N
21-3435*	Infection by communicable disease (HIV crime)	F	7	P
21-3715(a)	Burglary; building used as a dwelling	F	7	P
21-3715(b)	Burglary; building <u>not</u> used as a dwelling	F	7	N
21-3726	Aggravated tampering with a traffic signal	F	7	N
21-3742(c)	Throwing objects from bridge or overpass; resulting in injury to a pedestrian	F	7	P
21-3802	Sedition	F	7	N
21-3902(a)(6)(A)	Official Misconduct; Knowingly and willfully submitting to a governmental entity a claim for expenses which			

Legend
F = Felony
M = Misdemeanor

P = Scored as person
N = Scored as nonperson
S = Scored as select
NS = Not scored

* This crime was created or the severity level of this crime was amended during the 1999 legislative session.

REFERENCE	DESCRIPTION	F/M		P/N
	is false or duplicates expenses for which a claim is submitted to such governmental entity, another governmental or private entity; $25,000 or more			
21-4209a	Criminal possession of explosives	F	7	N
21-4219(b)	Criminal discharge of a firearm at occupied dwelling or vehicle	F	7	P
21-4401	Racketeering	F	7	P
25-2409	Elections; Election bribery	F	7	N
25-2417	Elections; Bribery of an election official	F	7	N
25-2418	Elections; Bribe acceptance by an election official	F	7	N
40-2,118	Insurance; Fraudulent acts in an amount of at least $5,000 but less than $25,000	F	7	N
50-1013	Willful violation of loan broker article	F	7	N
9-2004(b)(1)	Banking; Swear Falsely; Perjury in a felony trial	F	7	N
19-3519(b)(3)	Counties; Water Districts; fraudulent claims of $25,000 or more	F	7	N
21-3414(a)(1)(B)	Aggravated battery - intentional, bodily harm	F	7	N
21-3414(a)(1)(C)	Aggravated battery - intentional, physical contact	F	7	P
21-3510(a)(1)	Indecent solicitation of a child; ≥14 yoa & <16 yoa to commit or submit to unlawful sexual act	F	7	P
21-3510(a)(2)	Indecent solicitation of a child; ≥14 yoa & <16 yoa, inviting, etc. to enter secluded place	F	7	P
21-3513(b)(2)	Prostitution; Promoting prostitution when prostitute is ≥16 yoa, second or subsequent conviction	F	7	P
21-3603(a)(1)	Aggravated incest; Marriage to person <18 yoa, who is a known relative	F	7	P
21-3603(a)(2)(B)	Aggravated incest; Lewd fondling and touching described in 21-3503 with relative ≥16 yoa, but <18 yoa	F	7	P
21-3612(a)(5)	Contributing to a child's misconduct; causing, encouraging child <18 yoa to commit a felony	F	7	P
21-3701(b)(1)	Theft; loss of ≥ $25,000	F	7	P
21-3704(e)(1)	Theft of services; loss of ≥ $25,000	F	7	N
21-3707(d)(1)	Giving a worthless check; loss of ≥ $25,000	F	7	N
21-3718(b)(3)	Arson; damage resulting in loss of < $25,000	F	7	N
21-3720(b)(1)	Criminal damage to property; damage of property ≥ $25,000	F	7	N
21-3729(d)(1)	Criminal use of a financial card; money, services, etc. w/in 7 day period ≥ $25,000	F	7	N
21-3734(b)(1)	Impairing a security interest; value of ≥ $25,000	F	7	N
21-3755(c)(3)	Computer crime; loss of ≥ $25,000	F	7	N
21-3805(b)(1)	Perjury; false statement is made upon the trial of a felony charge	F	7	N
21-3904(b)(1)	Presenting a false claim; ≥ $25,000	F	7	N
21-3905(b)(1)	Permitting a false claim; ≥ $25,000	F	7	N
21-4111(b)(1)(A)	Criminal desecration; subsections (a)(2)(B), (a)(2)(C) or (a)(2)(D); loss of ≥ $25,000	F	7	N
39-0717(b)(3)	Welfare fraud; in the amount of $25,000 or more	F	7	N
40-0247(b)(1)(A)	Insurance agent/broker failure to pay premium to company; loss of ≥$25,000	F	7	N
44-5,125(a)(1)(iii)	Worker's Compensation Fund fraud > $25,000 < $50,000	F	7	N
S.HB2469§5(a)(1)*	Unlawful endangerment: setup, build device, to protect controlled substance	F	7	N
SB149§38(a)(1)*	Unlawful Voluntary Sexual Relations; sexual intercourse	F	8	N
21-3438(c)	Stalking when the offender has a previous conviction within 7 years for stalking the same victim	F	8	P
21-3604	Abandonment of child; involves child <16 yoa	F	8	P
21-3711	Making a false writing	F	8	P
21-3807(b)	Compounding a felony crime	F	8	N
21-3810(a)(1),(3-6)*	Aggravated escape from custody; escaping while held in lawful custody upon a felony, etc.	F	8	N
21-3811	Aiding an escape	F	8	N
21-3812(b)	Aiding a person charged as a felon	F	8	N
21-3812(a)	Aiding a felon	F	8	N
21-3840	Aircraft; Failure to register an aircraft	F	8	N
21-3841	Aircraft; Fraudulent aircraft registration	F	8	N
21-3842	Aircraft; Fraudulent acts relating to aircraft identification numbers	F	8	N
21-3910	Misuse of public funds	F	8	N
21-4105	Incitement to riot	F	8	N
21-4204(a)(2)	Criminal possession of firearm; poss. of any firearm by adult or juvenile offender convicted or adjudicated of a <u>person</u> felony or a violation of any provision of the uniform controlled substances act and was found to have been in possession of a firearm at the time of the commission of the offense	F	8	P
21-4204(a)(3)	Criminal possession of firearm; poss. of any firearm by a person convicted or juvenile offender adjudicated of a felony w/in 5 yrs and was found not to have been in possession of a firearm at the time of the commission of the offense	F	8	N
21-4204(a)(4)(A)	Criminal possession of firearm; poss. of any firearm by a person convicted or juvenile offender adjudicated of a <u>listed</u> felony w/in 10 yrs and was found <u>not</u> to have been in possession of a firearm at the time of the commission of the offense	F	8	N
21-4204(a)(4)(B)	Criminal possession of firearm; poss. of any firearm by a person convicted or juvenile offender adjudicated of a <u>nonperson</u> felony w/in 10 yrs and was found <u>not</u> to hve been in possession of a firearm at the time of the commission of the offense	F	8	N
21-4219(a)	Criminal discharge of a firearm at unoccupied dwelling	F	8	N
21-4304	Commercial gambling	F	8	P
21-4306	Dealing in gambling devices	F	8	N
21-4308	Installing communications facilities for gamblers	F	8	N
21-4405	Commercial bribery	F	8	N
		F	8	N

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Reference	Description	F/M	Level	P/N
25-2	Elections; Election forgery			
25-24	Elections; Election tampering	F	8	N
40-2,118	Insurance; Fraudulent acts in an amount of at least $1,000 but less than $5,000	F	8	N
65-2859	Healing Arts; Filing false documents	F	8	N
65-4141	Drugs; Arranging sale/purchase using communication facility	F	8	N
74-8717	Lottery; Forgery of lottery ticket	F	8	N
74-8810(j)	Parimutuel Racing; Prohibited Acts (i)(1) through (i)(15)	F	8	N
21-3414(a)(2)(B)	Aggravated battery - reckless, bodily harm	F	8	N
21-3612(a)(4)	Contributing to a child's misconduct; sheltering or concealing a runaway child	F	8	P
21-3731(b)(1)	Criminal use of explosives	F	8	P
21-3902(a)(5)	Official Misconduct; knowingly destroying, tampering with or concealing evidence of a crime	F	8	P
21-4202(b)(2)	Aggravated weapons violation; violation of 21-4201(a)(6), (a)(7), or (a)(8) criminal use of a firearm by a felon	F	8	N
21-4301a(c)(2)	Promoting obscenity to minors; second or subsequent offense	F	8	N
44-5,125(b)	Worker's Compensation Fund fraud, knowingly presenting false certificate of insurance	F	8	P
SB149§38(a)(2)*	Unlawful Voluntary Sexual Relations; sodomy	F	8	N
55-162(e)	Oil & Gas; removal of seal without approval of KCC	F	9	P
8-0262(a)	Driving while suspended-third or subsequent conviction	F	9	N
8-0287	Driving while a habitual violator	F	9	N
8-1568(c)(3)	Fleeing or eluding a police officer Third or subsequent conviction	F	9	N
8-1568(c)(4)	Fleeing or eluding a police officer	F	9	P
16-0305	Violation of prearranged funeral agreements act at least $500 but < $25,000	F	9	P
21-3406(a)(2)	Assisting suicide	F	9	N
21-3419	Criminal threat	F	9	P
21-3438(b)	Stalking when the victim has a temporary restraining order or injunction against the offender	F	9	P
21-3508(b)(2)	Lewd and lascivious behavior (presence of person under 16)	F	9	P
21-3610b	Furnishing alcoholic beverages to a minor for illicit purposes; child <18 yoa	F	9	P
21-3611(a)	Aggravated juvenile delinquency; adjudicated child ≥16 yoa running away, escaping from SRS facility	F	9	P
21-3707(d)(4)	Giving a worthless check; loss of < $500, if in previous five yrs. offender convicted two or more times of the same crime	F	9	N
21-3712	Destroying a written instrument	F	9	N
21-3713	Altering a legislative document	F	9	N
21-3715(c)	Burglary; motor vehicle, aircraft, or other means of conveyance	F	9	N
21-3748	Piracy of recordings	F	9	N
21-3756	Adding dockage or foreign material to grain	F	9	N
21-3757	Odometers; unlawful acts	F	9	N
21-3762	Pyramid promotional scheme; establishing, operating, advertising or promoting	F	9	N
21-3815	Attempting to influence a judicial officer	F	9	N
21-3817	Corrupt conduct of a juror	F	9	N
21-3825	Aggravated false impersonation	F	9	N
21-3846(b)(2)	Medicaid Fraud; false claim, statement or representation to medicaid program; ≥ $500 < $25,000	F	9	N
21-3846(b)(4)	Medicaid Fraud; offering wholly/partially false record, document, data or instrument in connection w/audit or investigation involving medicaid claim for payment	F	9	N
21-3849	Medicaid Fraud; destruction or concealment of records	F	9	N
21-3902(a)(6)(B)	Official Misconduct; knowingly and willfully submitting to a governmental entity a claim for expenses which is false or duplicates expenses for which a claim is submitted to such governmental entity, another governmental or private entity; at least $500 but less than $25,000	F	9	N
21-4202(b)(1)	Aggravated weapons violation; violation of 21-4201(a)(1) through (a)(5) or (a)(9) criminal use of a firearm by a felon	F	9	N
21-4406	Sports bribery	F	9	N
21-4408	Tampering with a sports contest	F	9	N
25-2411	Elections; Election perjury	F	9	N
25-2414	Elections; Possessing false or forged election supplies	F	9	N
25-2428	Elections; Destruction of election supplies	F	9	N
25-2429	Elections; Destruction of election papers	F	9	N
25-2431	Elections; False impersonation of a voter	F	9	N
40-2,118	Insurance; Fraudulent acts in an amount of at least $500 but less than $1,000	F	9	N
59-2121(a)	Adoption; knowingly/intentionally receiving/accepting excessive fees	F	9	N
65-2861	Healing Arts; False swearing	F	9	N
65-4153(c)	Drugs; Sim controlled substances/paraphernalia; Deliver, or cause to be delivered, to child <18 yoa	F	9	N
65-4155(d)	Drugs; Representing noncontrolled substance as controlled; causing delivery to child <18 yoa, etc.	F	9	N
8-1568(b)(3)	Fleeing or eluding a law enforcement officer - third or subsequent conviction	F	9	N
9-2004(b)(1)	Banking; Swear Falsely; Perjury other than in a felony trial	F	9	P
19-3519(b)(2)	Counties; Water Districts; fraudulent claims of at least $500, but less than $25,000	F	9	N
21-3701(b)(2)	Theft; loss of ≥ $500, but < $25,000	F	9	N
21-3701(b)(4)	Theft; loss of < $500, if in previous five yrs. offender has been convicted two or more times of the same crime	F	9	N
21-3704(e)(2)	Theft of services; loss of ≥ $500 but < $25,000	F	9	N
21-3707(d)(2)	Giving a worthless check; loss of ≥ $500 but < $25,000	F	9	N
		F	9	N

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…ED BY SEVERITY LEVEL AND THEN BY STATUTE NUMBER

REFERENCE	DESCRIPTION	F/M		…LP/N
0(b)(2)	Criminal damage to property; damage of property ≥ $500 but < $25,000	F	9	N
29(d)(2)	Criminal use of a financial card; money, services, etc. w/in 7 day period ≥ $500, but < $25,000	F	9	N
21-3734(b)(2)	Impairing a security interest; value of ≥ $500, but < $25,000	F	9	N
21-3749(b)(2)	Dealing in pirated recordings; ≥7 audio-visual recordings or ≥100 sound recordings w/in 180 days	F	9	N
21-3750(b)(2)	Nondisclosure of source of recordings; ≥7 audio-visual or ≥100 sound recordings w/in 180 days	F	9	N
21-3755(c)(2)	Computer crime; loss of ≥ $500, but < $25,000	F	9	N
21-3805(b)(2)	Perjury; false statement made in a cause, matter or proceeding other than the trial of a felony charge	F	9	N
21-3808(b)(1)	Obstructing legal process or official duty in the case of a felony, or resulting from parole, etc.	F	9	N
21-3904(b)(2)	Presenting a false claim; ≥ $500 but < $25,000	F	9	N
21-3905(b)(2)	Permitting a false claim; ≥ $500 but < $25,000	F	9	N
21-4111(b)(1)(B)	Criminal desecration; subsections (a)(2)(B), (a)(2)(C) or (a)(2)(D); loss of ≥ $500, but < $25,000	F	9	N
21-4201(a)(6)	Criminal use of weapons; possessing any device, etc., used to silence the report of any firearm	F	9	N
21-4201(a)(7)	Criminal use of weapons; possessing, etc., shotgun w/barrel less than 18"; automatic weapons	F	9	N
21-4201(a)(8)	Criminal use of weapons; possessing, etc., cartridge w/plastic coated bullet that has core of <60% lead	F	9	N
21-4214(b)(2)	Obtaining a prescription only drug by fraudulent means; second or subsequent offense	F	9	N
21-4301(f)(2)	Promoting obscenity; second or subsequent offense	F	9	P
39-0717(b)(2)	Welfare fraud; in the amount of at least $500 but less than $25,000	F	9	N
40-0247(b)(1)(B)	Insurance agent/broker failure to pay premium to company; loss of ≥$500, but <$25,000	F	9	N
40-0247(b)(2)	Insurance agent/broker failure to pay premium to company; loss of <$500, previous conv. w/in 5 yr	F	9	N
44-5,125(a)(1)(ii)	Worker's Compensation fund fraud > $500 < $25,000	F	9	N
44-5,125(c)	Worker's Compensation Fund fraud, health care provider knowingly submitting false bill for health care services	F	9	N
44-5,125(d)	Worker's Compensation Fund fraud, knowingly or intentionally conspiring to defraud the Workers Compensation Fund	F	9	N
74-8718(b)(2)	Lottery; Unlawful sale of lottery ticket; second or subsequent offense	F	9	N
74-8719(b)(2)	Lottery; Unlawful purchase of lottery ticket; second or subsequent offense	F	9	N
SB149§38(a)(3)*	Unlawful Voluntary Sexual Relations; lewd fondling or touching	F	10	P
55-156	Oil & Gas; Protection of water prior to abandoning well	F	10	N
55-157	Oil & Gas; Cementing in of surface casing	F	10	N
8-0116(c)	Vehicle identification numbers; destroying, altering, removing, etc. vehicle ID	F	10	N
8-0116(a)	Vehicle identification numbers; sale of vehicle w/ ID destroyed, removed, etc.	F	10	N
9-2010	Banking; Insolvent Bank Receiving Deposits	F	10	N
17-1264	Securities; <u>intentional</u> filing of false or misleading statements	F	10	N
17-1264	Securities; Filing false or misleading statements	F	10	N
17-5412	Savings & Loans; Declaration of Dividends	F	10	N
17-5811	Savings & Loans; Accepting Payment When Capital Impaired	F	10	N
17-5812	Savings & Loans; Fraudulent Acts	F	10	N
21-3438(a)	Stalking in all other cases	F	10	P
21-3520*	Unlawful sexual relations	F	10	P
21-3605	Nonsupport of a child or spouse	F	10	N
21-3736	Warehouse receipt fraud	F	10	N
21-3814	Aggravated failure to appear	F	10	N
21-3830	Dealing in false identification documents	F	10	N
21-3838	Unlawful disclosure of authorized interception of wire	F	10	N
21-4209	Criminal disposal of explosives	F	10	P
21-4315(b)	Unlawful conduct of dog fighting	F	10	N
22-4903*	Failure to register under the Kansas Offender Registration Act	F	10	N
25-2420	Elections; Election fraud by an election officer	F	10	N
25-2421	Elections; Election suppression	F	10	N
25-2422	Elections; Unauthorized voting disclosure	F	10	N
25-2425	Elections; Voting machine fraud	F	10	N
25-2426	Elections; Printing and circulating imitation ballots	F	10	N
25-4414	Electronic/electromechanical voting system fraud	F	10	N
25-4612	Optical scanning equipment fraud	F	10	N
32-1005(b)	Fish & Game; Commercialization of wildlife having an aggregate value of at least $500	F	10	N
34-0293	Grain Storage; Unlawful issuance of receipt for warehouseman's grain	F	10	N
34-0295	Grain Storage; Negotiation of receipt for encumbered grain with intent to defraud	F	10	N
41-0405	Liquor; Warehouses; False Reports & Unlawful Removals	F	10	N
44-0619	Labor Act, Violations	F	10	N
47-0421	Animals; Unlawful Branding or Defacing of Brands	F	10	N
50-0122	Trade; Bucket Shops	F	10	N
50-0123	Trade; Transactions Declared to be Gambling & Criminal	F	10	N
50-0124	Trade; Transmitting Messages for Pretended Purchases or Sale	F	10	N
50-0125	Trade; Unlawful Acts	F	10	N
55-904(d)(2)	Oil & Gas; Disposal of salt water; second and subsequent	F	10	N
58-3304	Property; Sale of Unregistered Sub-Divided Land	F	10	N
58-3315	Property; Uniform Land Sales Practices Act	F	10	N
65-3026(b)	Knowingly violating subsections (a) through (f) of KSA 65-3025, the Air Quality Control Act	F	10	N
65-3441(b)	Hazardous Wastes; Violation of unlawful acts included in paragraph 11, subsection (a)	F	10	N

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SORTED BY SEVERITY LEVEL AND THEN BY STATUTE NUMBER

Reference	Description	F/M	L[illegible]	[illegible]
66-[illegible]	Utilities; Falsifying or Destroying Accounts/Records	F	10	N
75-4228	State Departments; Liability of Treasurer & Director of A&R	F	10	N
79-3228e	Taxation; Income Tax, Penalties & Interest	F	10	N
79-3834b	Taxation; Cereal Malt Beverages; Penalties	F	10	N
79-5208	Taxation; Drugs; Dealer possession without tax stamps	F	10	N
21-3422(c)(2)	Interference with parental custody in all other cases	F	10	P

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Felony Crimes
SORTED BY SEVERITY LEVEL AND THEN BY STATUTE NUMBER

Reference	Description	F/M	Level	P/
21-3401	Murder in the first degree	F	Offgrid	[illegible]
21-3801	Treason	F	Offgrid	[illegible]
21-3439	Capital Murder	F	Offgrid	[illegible]
21-3412(c)(3)	Domestic battery; third or subsequent w/in last 5 years	F	Nongrid	[illegible]
8-1567(f)	Driving under the influence of alcohol or drugs; third or subsequent conviction	F	Nongrid	N
9-2002	Banking; Making false reports of statements; a class D felony under old law	F	Unranked	N
21-3401	Murder in the first degree; Attempt (21-3301)	F	1	P
21-3402(a)*	Intentional second degree murder	F	1	P
21-3421	Aggravated kidnapping	F	1	P
21-3801	Treason; Attempt (21-3301)	F	1	P
65-4142(c)(4)	Knowingly or intentially receiving/acquiring proceeds or engaging in transactions involving proceeds...> $500,000	F	1	P
65-4159(b)*	Drugs; Unlawfully manufacture controlled substance	F	1D	N
S.HB2469§12(d)*	Drugs: Possession of ephedrine, pseudoephedrine or phenylpropanolamine; precursor to illegal substance, etc.	F	1D	N
65-4160(c)	Drugs; Opiates or narcotics; Possession; third and subsequent offense	F	1D	N
65-4161(c)	Drugs; Opiates or narcotics; Sale, poss. w/intent to sell, etc.; third and subsequent offense	F	1D	N
21-3502(a)(1)	Rape; sexual intercourse with a person who does not consent; overcome by force, fear, etc.	F	1D	N
21-3502(a)(2)	Rape; sexual intercourse with a child <14 yoa	F	1	P
65-4142(c)(3)	Knowingly or intentially receiving/acquiring proceeds or engaging in transactions involving proceeds... ≥ $100,000 < 500,000	F	1	P
21-3401	Murder in the first degree; Conspiracy (21-3302)	F	2D	N
21-3402(b)	Murder in the second degree (reckless)	F	2	P
21-3801	Treason; Conspiracy (21-3302)	F	2	P
65-4160(b)	Drugs; Opiates or narcotics; Possession; second offense	F	2	P
65-4161(d)	Drugs; Opiates or narcotics; Sale, poss. w/intent to sell, etc. 1st off. w/in 1,000' of school property	F	2D	N
65-4161(b)	Drugs; Opiates or narcotics; Sale, poss. w/intent to sell, etc.; second offense	F	2D	N
65-4163(b)	Drugs; Depressants, stimulants, hallucinogenics, etc.; Sale, possession w/intent to sell, etc. w/in 1,000' of a school	F	2D	N
21-3502(a)(3)	Rape; knowing misrepresentation that sexual intercourse medically/therapeutically necessary procedure	F	2D	N
21-3502(a)(4)	Rape; knowing misrepresentation that sexual intercourse legally required procedure w/in scope of authority	F	2	P
21-3506(a)(1)	Aggravated criminal sodomy; sodomy with a child <14 yoa	F	2	P
21-3506(a)(2)	Aggravated criminal sodomy; causing a child <14 yoa to engage in sodomy with a person or animal	F	2	P
21-3506(a)(3)	Aggravated criminal sodomy; sodomy with person who does not consent; overcome by force, etc.	F	2	P
65-4159(b)(1)	Drugs; Unlawfully manufacture controlled substance; first offense	F	2	P
65-4142(c)(2)	Knowingly or intentionally receiving or acquiring proceeds or engaging in transactions involving proceeds... ≥ $5,000 < $100,000	F	2D	N
21-3401	Murder in the first degree; Solicitation (21-3303)	F	3D	N
21-3403	Voluntary manslaughter	F	3	P
21-3406(a)(1)	Assisting suicide (force or duress)	F	3	P
21-3420	Kidnapping	F	3	P
21-3427	Aggravated robbery	F	3	P
21-3801	Treason; Solicitation (21-3303)	F	3	P
21-4219(b)	Criminal discharge of a firearm at occupied dwelling or vehicle resulting in great bodily harm	F	3	P
65-4161(a)	Drugs; Opiates or narcotics; Sale, poss. w/intent to sell, etc.; first offense	F	3	P
65-4163(a)	Drugs; Depressants, stimulants, hallucinogenics, etc.; Sale, possession w/intent to sell, etc.	F	3D	N
21-3415(b)(1)	Aggravated battery on LEO - intentional, great bodily harm (see 21-3414(a)(1)(A)	F	3D	N
21-3504(a)(1)	Aggravated indecent liberties w/child; ≥14 yoa, but <16 yoa; sexual intercourse	F	3	P
21-3504(a)(3)	Aggravated indecent liberties w/child; <14 yoa; lewd fondling or touching	F	3	P
21-3505(a)(2)	Criminal sodomy; sodomy with a child ≥14 yoa, but <16 yoa	F	3	P
21-3505(a)(3)	Criminal sodomy; causing child ≥14 yoa, but <16 yoa to engage in sodomy with a person or animal	F	3	P
21-3719(b)(1)	Aggravated arson; substantial risk of bodily harm	F	3	P
65-4142(c)(1)	Knowingly or intentionally receiving or acquiring proceeds or engaging in transactions involving proceeds known to be derived from any violation of the uniform controlled substances act, < $5,000	F	3	P
65-4152*	Drugs; Poss. of paraphernalia w/intent to use for planting, growing, harvesting, manuf., etc. any controlled substance	F	4D	N
21-3440	Injury to a pregnant woman in the commission of a felony	F	4D	N
21-3442	Involuntary manslaughter in the commission of a DUI	F	4	P
65-4160(a)	Drugs; Opiates or narcotics; Possession; first offense	F	4	P
65-4162(a)	Drugs; Depressants, stimulants, hallucinogenics, etc.; Possession; second and subs.	F	4D	N
65-4164(a)	Drugs; Substances in K.S.A. 65-4113; Sale, possession with intent to sell, deliver, etc.	F	4D	N
21-3414(a)(1)(A)	Aggravated battery - intentional, great bodily harm	F	4D	N
21-3504(a)(2)	Aggravated indecent liberties w/child; ≥14 yoa, but <16 yoa; lewd fondling or touching without consent	F	4	P
21-3419a(d)	Aggravated criminal threat; ≥ $25,000 loss of productivity	F	4	P
S.HB2469§5(a)(3)*	Unlawful endangerment: setup, build device, to protect controlled substance; serious physical injury	F	4	P
21-3419a(c)	Aggravated criminal threat; ≥ $500 but less than $25,000 loss of productivity	F	5	P
21-3440	Injury to a pregnant woman in commission of K.S.A. 21-3412 (aggravated assault), K.S.A. 21-3413(a)(1), battery or KSA 21-3517, sexual battery	F	5	P
21-3404	Involuntary manslaughter	F	5	P
		F	5	P

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12-12

...ERENCE	DESCRIPTION	F/M	LEVEL	P/N
21-3426	Robbery	F	5	P
21-3518	Aggravated sexual battery; intentional touching, without consent, who is ≥16 yoa; force, fear, etc.	F	5	P
21-3604a	Aggravated abandonment of a child	F	5	P
21-3609	Abuse of a child; involves child <18 yoa; intentional torture, cruelly beating, etc.	F	5	P
21-3716	Aggravated burglary	F	5	P
21-4219(b)	Criminal discharge of a firearm at occupied dwelling or vehicle resulting in bodily harm	F	5	P
21-3413(a)(2)*	Battery against a correctional officer	F	5	P
21-3413(a)(3)*	Battery against a juvenile correctional facility officer	F	5	P
21-3413(a)(4)*	Battery against a juvenile detention facility officer	F	5	P
21-3413(a)(5)*	Battery against a city/county correctional officer/employee	F	5	P
21-3414(a)(2)(A)	Aggravated battery - reckless, great bodily harm	F	5	P
21-3503(a)(1)	Indecent liberties w/child; child ≥14 yoa, but <16 yoa; lewd fondling or touching	F	5	P
21-3503(a)(2)	Indecent liberties w/child; child ≥14 yoa, but <16 yoa; soliciting to engage in lewd fondling, etc.	F	5	P
21-3516(a)(1)	Sexual exploitation of a child; employing, etc. child <18 yoa to engage in sexually explicit conduct	F	5	P
21-3516(a)(2)	Sexual exploitation of a child; possessing visual medium of child <18 yoa engaging in such conduct	F	5	P
21-3516(a)(3)	Sexual exploitation of a child; guardian permitting child <18 yoa to engage in such conduct	F	5	P
21-3516(a)(4)	Sexual exploitation of a child; promoting performance of child <18 yoa to engage in such conduct	F	5	P
21-3603(a)(2)(A)	Aggravated incest; Otherwise lawful sexual intercourse or sodomy with relative ≥16 yoa, but <18 yoa	F	5	P
21-3718(b)(1)	Arson; damage resulting in loss of ≥ $50,000	F	5	N
21-3810(a)(2), (7)*	Aggravated escape from custody; escaping while held in lawful custody upon a felony, etc.	F	5	N
21-3810(b)(2), (7)*	Aggravated escape from custody; escape is facilitated by the use of violence or threat of violence	F	5	P
21-3826(c)(1)	Traffic in contraband in a correctional institution; firearms, ammunition, explosives, controlled substance	F	5	N
21-3826(c)(2)	Traffic in contraband in a correctional institution by an employee of a correctional insitution	F	5	N
44-5,125(a)(1)(vi)	Worker's Compensation Fund fraud > $100,000	F	5	N
21-3731(b)(2)	Criminal use of explosives intended to be used to commit a crime, a public safety officer is placed at risk to diffuse the explosive or if another human being is in the building where the explosives are used	F	6	P
	KSA 21-3414(a)(1)(B) and 21-3414(a)(1)(C))	F	6	P
21-3419a(b)	Aggravated criminal threat; < $500 loss of productivity	F	6	P
17-1253	Securities; intentional unlawful offers, sale or purchase	F	6	N
21-3411	Aggravated assault on law enforcement officer	F	6	P
21-3437	Mistreatment of a dependant adult - physical	F	6	P
21-3511(a)	Aggravated indecent solicitation of a child; <14 yoa to commit or submit to unlawful sexual act	F	6	P
21-3511(b)	Aggravated indecent solicitation of a child; <14 yoa, inviting, etc. to enter secluded place	F	6	P
21-3742(d)	Throwing objects from bridge or overpass; resulting in injury to a passenger of vehicle	F	6	P
21-3810(b)(1),(3-6)*	Aggravated escape from custody; escape is facilitated by the use of violence or threat of violence	F	6	P
21-3826(d)	Traffic in contraband in a correctional institution	F	6	N
21-3829	Aggravated interference with conduct of public business	F	6	P
21-3833	Aggravated intimidation of a witness or victim	F	6	P
21-4215	Obtaining a prescription only drug by fraudulent means for resale	F	6	N
40-2,118	Insurance; Fraudulent acts in an amount of more than $25,000	F	6	N
65-3441(c)	Hazardous Wastes; Knowingly violates unlawful acts included in paragraphs 1-11, subsection (a)	F	6	N
21-3513(b)(3)	Prostitution; Promoting prostitution when prostitute is <16 yoa	F	6	P
21-3718(b)(2)	Arson; damage resulting in loss of ≥ $25,000, < $50,000	F	6	N
21-3719(b)(2)	Aggravated arson; no substantial risk of bodily harm	F	6	P
44-5,125(a)(1)(iv)	Worker's Compensation Fund fraud > $50,000 < $100,000	F	6	N
S.HB2469§5(a)(2)*	Unlawful endangerment: setup, build device, to protect controlled substance; physical injury	F	7	P
21-3846(b)(1)	Medicaid Fraud; false claim, statement or representation to madicaid progarm; ≥ $25,000	F	7	N
9-2012	Banking; Embezzlement; Intent to defraud	F	7	N
16-0305	Violation of prearranged funeral agreements act $25,000 or more	F	7	N
16-0633	Contract; Investment Certificates; Unlawful receipt of commission	F	7	N
16-0634	Contract; Investment Certificates; Unlawful receipt/possession of company property	F	7	N
16-0635	Contract; Investment Certificates; Unlawful acts pertaining to books/records	F	7	N
16-0640	Contract; Investment Certificates; Unlawful Acts or Omissions	F	7	N
16a-5-301(1)*	Violation of the Uniform Consumer Credit Code; second or subsequent offense	F	7	N
17-1254	Securities; intentional unlawful sale by an unregistered dealer	F	7	N
17-1255	Securities; intentional unlawful sale of unregistered securities	F	7	N
17-1267	Secutities; intentional violation of any rule and regulation adopted or order issued under the Securities Act	F	7	N
21-3410	Aggravated assault	F	7	P
21-3422a(b)	Aggravated interference with parental custody	F	7	P
21-3428	Blackmail	F	7	N
21-3435*	Infection by communicable disease (HIV crime)	F	7	P
21-3715(a)	Burglary; building used as a dwelling	F	7	P
21-3715(b)	Burglary; building not used as a dwelling	F	7	N
21-3726	Aggravated tampering with a traffic signal	F	7	N
21-3742(c)	Throwing objects from bridge or overpass; resulting in injury to a pedestrian	F	7	P
21-3802	Sedition	F	7	N
21-3902(a)(6)(A)	Official Misconduct; Knowingly and willfully submitting to a governmental entity a claim for expenses which			

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12-13

REFERENCE	DESCRIPTION	F/M	LEVEL	P/N
	is false or duplicates expenses for which a claim is submitted to such governmental entity, another governmental or private entity; $25,000 or more			
21-4209a	Criminal possession of explosives	F	7	N
21-4219(b)	Criminal discharge of a firearm at occupied dwelling or vehicle	F	7	P
21-4401	Racketeering	F	7	P
25-2409	Elections; Election bribery	F	7	N
25-2417	Elections; Bribery of an election official	F	7	N
25-2418	Elections; Bribe acceptance by an election official	F	7	N
40-2,118	Insurance; Fraudulent acts in an amount of at least $5,000 but less than $25,000	F	7	N
50-1013	Willful violation of loan broker article	F	7	N
9-2004(b)(1)	Banking; Swear Falsely; Perjury in a felony trial	F	7	N
19-3519(b)(3)	Counties; Water Districts; fraudulent claims of $25,000 or more	F	7	N
21-3414(a)(1)(B)	Aggravated battery - intentional, bodily harm	F	7	N
21-3414(a)(1)(C)	Aggravated battery - intentional, physical contact	F	7	P
21-3510(a)(1)	Indecent solicitation of a child; ≥14 yoa & <16 yoa to commit or submit to unlawful sexual act	F	7	P
21-3510(a)(2)	Indecent solicitation of a child; ≥14 yoa & <16 yoa, inviting, etc. to enter secluded place	F	7	P
21-3513(b)(2)	Prostitution; Promoting prostitution when prostitute is ≥16 yoa, second or subsequent conviction	F	7	P
21-3603(a)(1)	Aggravated incest; Marriage to person <18 yoa, who is a known relative	F	7	P
21-3603(a)(2)(B)	Aggravated incest; Lewd fondling and touching described in 21-3503 with relative ≥16 yoa, but <18 yoa	F	7	P
21-3612(a)(5)	Contributing to a child's misconduct; causing, encouraging child <18 yoa to commit a felony	F	7	P
21-3701(b)(1)	Theft; loss of ≥ $25,000	F	7	P
21-3704(c)(1)	Theft of services; loss of ≥ $25,000	F	7	N
21-3707(d)(1)	Giving a worthless check; loss of ≥ $25,000	F	7	N
21-3718(b)(3)	Arson; damage resulting in loss of < $25,000	F	7	N
21-3720(b)(1)	Criminal damage to property; damage of property ≥ $25,000	F	7	N
21-3729(d)(1)	Criminal use of a financial card; money, services, etc. w/in 7 day period ≥ $25,000	F	7	N
21-3734(b)(1)	Impairing a security interest; value of ≥ $25,000	F	7	N
21-3755(c)(3)	Computer crime; loss of ≥ $25,000	F	7	N
21-3805(b)(1)	Perjury; false statement is made upon the trial of a felony charge	F	7	N
21-3904(b)(1)	Presenting a false claim; ≥ $25,000	F	7	N
21-3905(b)(1)	Permitting a false claim; ≥ $25,000	F	7	N
21-4111(b)(1)(A)	Criminal desecration; subsections (a)(2)(B), (a)(2)(C) or (a)(2)(D); loss of ≥ $25,000	F	7	N
39-0717(b)(3)	Welfare fraud; in the amount of $25,000 or more	F	7	N
40-0247(b)(1)(A)	Insurance agent/broker failure to pay premium to company; loss of ≥$25,000	F	7	N
44-5,125(a)(1)(iii)	Worker's Compensation Fund fraud > $25,000 < $50,000	F	7	N
S.HB2469§5(a)(1)*	Unlawful endangerment: setup, build device, to protect controlled substance	F	7	N
SB149§38(a)(1)*	Unlawful Voluntary Sexual Relations; sexual intercourse	F	8	N
21-3438(c)	Stalking when the offender has a previous conviction within 7 years for stalking the same victim	F	8	P
21-3604	Abandonment of child; involves child <16 yoa	F	8	P
21-3711	Making a false writing	F	8	P
21-3807(b)	Compounding a felony crime	F	8	N
21-3810(a)(1),(3-6)*	Aggravated escape from custody; escaping while held in lawful custody upon a felony, etc.	F	8	N
21-3811	Aiding an escape	F	8	N
21-3812(b)	Aiding a person charged as a felon	F	8	N
21-3812(a)	Aiding a felon	F	8	N
21-3840	Aircraft; Failure to register an aircraft	F	8	N
21-3841	Aircraft; Fraudulent aircraft registration	F	8	N
21-3842	Aircraft; Fraudulent acts relating to aircraft identification numbers	F	8	N
21-3910	Misuse of public funds	F	8	N
21-4105	Incitement to riot	F	8	N
21-4204(a)(2)	Criminal possession of firearm; poss. of any firearm by adult or juvenile offender convicted or adjudicated of a person felony or a violation of any provision of the uniform controlled substances act and was found to have been in possession of a firearm at the time of the commission of the offense	F	8	P
21-4204(a)(3)	Criminal possession of firearm; poss. of any firearm by a person convicted or juvenile offender adjudicated of a felony w/in 5 yrs and was found not to have been in possession of a firearm at the time of the commission of the offense	F	8	N
21-4204(a)(4)(A)	Criminal possession of firearm; poss. of any firearm by a person convicted or juvenile offender adjudicated of a listed felony w/in 10 yrs and was found not to have been in possession of a firearm at the time of the commission of the offense	F	8	N
21-4204(a)(4)(B)	Criminal possession of firearm; poss. of any firearm by a person convicted or juvenile offender adjudicated of a nonperson felony w/in 10 yrs and was found not to hve been in possession of a firearm at the time of the commission of the offense	F	8	N
21-4219(a)	Criminal discharge of a firearm at unoccupied dwelling	F	8	N
21-4304	Commercial gambling	F	8	P
21-4306	Dealing in gambling devices	F	8	N
21-4308	Installing communications facilities for gamblers	F	8	N
21-4405	Commercial bribery	F	8	N
		F	8	N

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12-14

RENCE	DESCRIPTION	F/M		.LP/N
25-2412	Elections; Election forgery			
25-2423	Elections; Election tampering	F	8	N
40-2,118	Insurance; Fraudulent acts in an amount of at least $1,000 but less than $5,000	F	8	N
65-2859	Healing Arts; Filing false documents	F	8	N
65-4141	Drugs; Arranging sale/purchase using communication facility	F	8	N
74-8717	Lottery; Forgery of lottery ticket	F	8	N
74-8810(j)	Parimutuel Racing; Prohibited Acts (i)(1) through (i)(15)	F	8	N
21-3414(a)(2)(B)	Aggravated battery - reckless, bodily harm	F	8	N
21-3612(a)(4)	Contributing to a child's misconduct; sheltering or concealing a runaway child	F	8	P
21-3731(b)(1)	Criminal use of explosives	F	8	P
21-3902(a)(5)	Official Misconduct; knowingly destroying, tampering with or concealing evidence of a crime	F	8	P
21-4202(b)(2)	Aggravated weapons violation; violation of 21-4201(a)(6), (a)(7), or (a)(8) criminal use of a firearm by a felon	F	8	N
21-4301a(c)(2)	Promoting obscenity to minors; second or subsequent offense	F	8	N
44-5,125(b)	Worker's Compensation Fund fraud, knowingly presenting false certificate of insurance	F	8	P
SB149§38(a)(2)*	Unlawful Voluntary Sexual Relations; sodomy	F	8	N
55-162(e)	Oil & Gas; removal of seal without approval of KCC	F	9	P
8-0262(a)	Driving while suspended-third or subsequent conviction	F	9	N
8-0287	Driving while a habitual violator	F	9	N
8-1568(c)(3)	Fleeing or eluding a police officer Third or subsequent conviction	F	9	N
8-1568(c)(4)	Fleeing or eluding a police officer	F	9	P
16-0305	Violation of prearranged funeral agreements act at least $500 but < $25,000	F	9	P
21-3406(a)(2)	Assisting suicide	F	9	N
21-3419	Criminal threat	F	9	P
21-3438(b)	Stalking when the victim has a temporary restraining order or injunction against the offender	F	9	P
21-3508(b)(2)	Lewd and lascivious behavior (presence of person under 16)	F	9	P
21-3610b	Furnishing alcoholic beverages to a minor for illicit purposes; child <18 yoa	F	9	P
21-3611(a)	Aggravated juvenile delinquency; adjudicated child ≥16 yoa running away, escaping from SRS facility	F	9	P
21-3707(d)(4)	Giving a worthless check; loss of < $500, if in previous five yrs. offender convicted two or more times of the same crime	F	9	N
21-3712	Destroying a written instrument	F	9	N
21-3713	Altering a legislative document	F	9	N
21-3715(c)	Burglary; motor vehicle, aircraft, or other means of conveyance	F	9	N
21-3748	Piracy of recordings	F	9	N
21-3756	Adding dockage or foreign material to grain	F	9	N
21-3757	Odometers; unlawful acts	F	9	N
21-3762	Pyramid promotional scheme; establishing, operating, advertising or promoting	F	9	N
21-3815	Attempting to influence a judicial officer	F	9	N
21-3817	Corrupt conduct of a juror	F	9	N
21-3825	Aggravated false impersonation	F	9	N
21-3846(b)(2)	Medicaid Fraud; false claim, statement or representation to medicaid program; ≥ $500 < $25,000	F	9	N
21-3846(b)(4)	Medicaid Fraud; offering wholly/partially false record, document, data or instrument in connection w/audit or investigation involving medicaid claim for payment	F	9	N
21-3849	Medicaid Fraud; destruction or concealment of records	F	9	N
21-3902(a)(6)(B)	Official Misconduct; knowingly and willfully submitting to a governmental entity a claim for expenses which is false or duplicates expenses for which a claim is submitted to such governmental entity, another governmental or private entity; at least $500 but less than $25,000	F	9	N
21-4202(b)(1)	Aggravated weapons violation; violation of 21-4201(a)(1) through (a)(5) or (a)(9) criminal use of a firearm by a felon	F	9	N
21-4406	Sports bribery	F	9	N
21-4408	Tampering with a sports contest	F	9	N
25-2411	Elections; Election perjury	F	9	N
25-2414	Elections; Possessing false or forged election supplies	F	9	N
25-2428	Elections; Destruction of election supplies	F	9	N
25-2429	Elections; Destruction of election papers	F	9	N
25-2431	Elections; False impersonation of a voter	F	9	N
40-2,118	Insurance; Fraudulent acts in an amount of at least $500 but less than $1,000	F	9	N
59-2121(a)	Adoption; knowingly/intentionally receiving/accepting excessive fees	F	9	N
65-2861	Healing Arts; False swearing	F	9	N
65-4153(c)	Drugs; Sim controlled substances/paraphernalia; Deliver, or cause to be delivered, to child <18 yoa	F	9	N
65-4155(d)	Drugs; Representing noncontrolled substance as controlled; causing delivery to child <18 yoa, etc.	F	9	N
8-1568(b)(3)	Fleeing or eluding a law enforcement officer - third or subsequent conviction	F	9	N
9-2004(b)(1)	Banking; Swear Falsely; Perjury other than in a felony trial	F	9	P
19-3519(b)(2)	Counties; Water Districts; fraudulent claims of at least $500, but less than $25,000	F	9	N
21-3701(b)(2)	Theft; loss of ≥ $500, but < $25,000	F	9	N
21-3701(b)(4)	Theft; loss of < $500, if in previous five yrs. offender has been convicted two or more times of the same crime	F	9	N
21-3704(e)(2)	Theft of services; loss of ≥ $500 but < $25,000	F	9	N
21-3707(d)(2)	Giving a worthless check; loss of ≥ $500 but < $25,000	F	9	N
		F	9	N

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FERENCE	DESCRIPTION	F/M	LEVEL	P/N
21-3720(b)(2)	Criminal damage to property; damage of property ≥ $500 but < $25,000			
21-3729(d)(2)	Criminal use of a financial card; money, services, etc. w/in 7 day period ≥ $500, but < $25,000	F	9	N
21-3734(b)(2)	Impairing a security interest; value of ≥ $500, but < $25,000	F	9	N
21-3749(b)(2)	Dealing in pirated recordings; ≥7 audio-visual recordings or ≥100 sound recordings w/in 180 days	F	9	N
21-3750(b)(2)	Nondisclosure of source of recordings; ≥7 audio-visual or ≥100 sound recordings w/in 180 days	F	9	N
21-3755(c)(2)	Computer crime; loss of ≥ $500, but < $25,000	F	9	N
21-3805(b)(2)	Perjury; false statement made in a cause, matter or proceeding other than the trial of a felony charge	F	9	N
21-3808(b)(1)	Obstructing legal process or official duty in the case of a felony, or resulting from parole, etc.	F	9	N
21-3904(b)(2)	Presenting a false claim; ≥ $500 but < $25,000	F	9	N
21-3905(b)(2)	Permitting a false claim; ≥ $500 but < $25,000	F	9	N
21-4111(b)(1)(B)	Criminal desecration; subsections (a)(2)(B), (a)(2)(C) or (a)(2)(D); loss of ≥ $500, but < $25,000	F	9	N
21-4201(a)(6)	Criminal use of weapons; possessing any device, etc., used to silence the report of any firearm	F	9	N
21-4201(a)(7)	Criminal use of weapons; possessing, etc., shotgun w/barrel less than 18"; automatic weapons	F	9	N
21-4201(a)(8)	Criminal use of weapons; possessing, etc., cartridge w/plastic coated bullet that has core of <60% lead	F	9	N
21-4214(b)(2)	Obtaining a prescription only drug by fraudulent means; second or subsequent offense	F	9	N
21-4301(f)(2)	Promoting obscenity; second or subsequent offense	F	9	N
39-0717(b)(2)	Welfare fraud; in the amount of at least $500 but less than $25,000	F	9	P
40-0247(b)(1)(B)	Insurance agent/broker failure to pay premium to company; loss of ≥$500, but <$25,000	F	9	N
40-0247(b)(2)	Insurance agent/broker failure to pay premium to company; loss of <$500, previous conv. w/in 5 yr	F	9	N
44-5,125(a)(1)(ii)	Worker's Compensation fund fraud > $500 < $25,000	F	9	N
44-5,125(c)	Worker's Compensation Fund fraud, health care provider knowingly submitting false bill for health care services	F	9	N
44-5,125(d)	Worker's Compensation Fund fraud, knowingly or intentionally conspiring to defraud the Workers Compensation Fund	F	9	N
74-8718(b)(2)	Lottery; Unlawful sale of lottery ticket; second or subsequent offense	F	9	N
74-8719(b)(2)	Lottery; Unlawful purchase of lottery ticket; second or subsequent offense	F	9	N
SB149§38(a)(3)*	Unlawful Voluntary Sexual Relations; lewd fondling or touching	F	9	N
55-156	Oil & Gas; Protection of water prior to abandoning well	F	10	P
55-157	Oil & Gas; Cementing in of surface casing	F	10	N
8-0116(c)	Vehicle identification numbers; destroying, altering, removing, etc. vehicle ID	F	10	N
8-0116(a)	Vehicle identification numbers; sale of vehicle w/ ID destroyed, removed, etc.	F	10	N
9-2010	Banking; Insolvent Bank Receiving Deposits	F	10	N
17-1264	Securities; intentional filing of false or misleading statements	F	10	N
17-1264	Securities; Filing false or misleading statements	F	10	N
17-5412	Savings & Loans; Declaration of Dividends	F	10	N
17-5811	Savings & Loans; Accepting Payment When Capital Impaired	F	10	N
17-5812	Savings & Loans; Fraudulent Acts	F	10	N
21-3438(a)	Stalking in all other cases	F	10	N
21-3520*	Unlawful sexual relations	F	10	P
21-3605	Nonsupport of a child or spouse	F	10	P
21-3736	Warehouse receipt fraud	F	10	N
21-3814	Aggravated failure to appear	F	10	N
21-3830	Dealing in false identification documents	F	10	N
21-3838	Unlawful disclosure of authorized interception of wire	F	10	N
21-4209	Criminal disposal of explosives	F	10	N
21-4315(b)	Unlawful conduct of dog fighting	F	10	P
22-4903*	Failure to register under the Kansas Offender Registration Act	F	10	N
25-2420	Elections; Election fraud by an election officer	F	10	N
25-2421	Elections; Election suppression	F	10	N
25-2422	Elections; Unauthorized voting disclosure	F	10	N
25-2425	Elections; Voting machine fraud	F	10	N
25-2426	Elections; Printing and circulating imitation ballots	F	10	N
25-4414	Electronic/electromechanical voting system fraud	F	10	N
25-4612	Optical scanning equipment fraud	F	10	N
32-1005(b)	Fish & Game; Commercialization of wildlife having an aggregate value of at least $500	F	10	N
34-0293	Grain Storage; Unlawful issuance of receipt for warehouseman's grain	F	10	N
34-0295	Grain Storage; Negotiation of receipt for encumbered grain with intent to defraud	F	10	N
41-0405	Liquor; Warehouses; False Reports & Unlawful Removals	F	10	N
44-0619	Labor Act, Violations	F	10	N
47-0421	Animals; Unlawful Branding or Defacing of Brands	F	10	N
50-0122	Trade; Bucket Shops	F	10	N
50-0123	Trade; Transactions Declared to be Gambling & Criminal	F	10	N
50-0124	Trade; Transmitting Messages for Pretended Purchases or Sale	F	10	N
50-0125	Trade; Unlawful Acts	F	10	N
55-904(d)(2)	Oil & Gas; Disposal of salt water; second and subsequent	F	10	N
58-3304	Property; Sale of Unregistered Sub-Divided Land	F	10	N
58-3315	Property; Uniform Land Sales Practices Act	F	10	N
65-3026(b)	Knowingly violating subsections (a) through (f) of KSA 65-3025, the Air Quality Control Act	F	10	N
65-3441(b)	Hazardous Wastes; Violation of unlawful acts included in paragraph 11, subsection (a)	F	10	N
		F	10	N

Legend
F = Felony
M = Misdemeanor

P = Scored as person
N = Scored as nonperson
S = Scored as select
NS = Not scored

* This crime was created or the severity level of this crime was amended during the 1999 legislative session.

..RENCE	DESCRIPTION	F/M	LEVEL	P/N
66-0137	Utilities; Falsifying or Destroying Accounts/Records	F	10	N
75-4228	State Departments; Liability of Treasurer & Director of A&R	F	10	N
79-3228e	Taxation; Income Tax, Penalties & Interest	F	10	N
79-3834b	Taxation; Cereal Malt Beverages; Penalties	F	10	N
79-5208	Taxation; Drugs; Dealer possession without tax stamps	F	10	N
21-3422(c)(2)	Interference with parental custody in all other cases	F	10	P

12-18

SENTENCING RANGE - NONDRUG OFFENSES

Category ⇒	A	B	C	D	E	F	G	H	I
Severity Level ⇓	3 + Person Felonies	2 Person Felonies	1 Person & 1 Nonperson Felonies	1 Person Felony	3 + Nonperson Felonies	2 Nonperson Felonies	1 Nonperson Felony	2 + Misdemeanor	1 Misdemeanor No Record
I	653 620 592	618 586 554	285 272 258	267 253 240	246 234 221	226 214 203	203 195 184	186 176 166	165 155 147
II	493 467 442	460 438 416	216 205 194	200 190 181	184 174 165	168 160 152	154 146 138	138 131 123	123 117 109
III	247 233 221	228 216 206	107 102 96	100 94 89	92 88 82	83 79 74	77 72 68	71 66 61	61 59 55
IV	172 162 154	162 154 144	75 71 68	69 66 62	64 60 57	59 56 52	52 50 47	48 45 42	43 41 38
V	136 130 122	128 120 114	60 57 53	55 52 50	51 49 46	47 44 41	43 41 38	38 36 34	34 32 31
VI	46 43 40	41 39 37	38 36 34	36 34 32	32 30 28	29 27 25	26 24 22	21 20 19	19 18 17
VII	34 32 30	31 29 27	29 27 25	26 24 22	23 21 19	19 18 17	17 16 15	14 13 12	13 12 11
VIII	23 21 19	20 19 18	19 18 17	17 16 15	15 14 13	13 12 11	11 10 9	11 10 9	9 8 7
IX	17 16 15	15 14 13	13 12 11	13 12 11	11 10 9	10 9 8	9 8 7	8 7 6	7 6 5
X	13 12 11	12 11 10	11 10 9	10 9 8	9 8 7	8 7 6	7 6 5	7 6 5	7 6 5

LEGEND
Presumptive Probation
Border Box
Presumptive Imprisonment

Recommended probation terms are:

36 months for felonies classified in Severity Levels 1 - 5
24 months for felonies classified in Severity Levels 6 - 10

Postrelease terms are:

For felonies committed before 4/20/95

24 months for felonies classified in Severity Levels 1 - 6
12 months for felonies classified in Severity Level 7 - 10

For felonies committed on or after 4/20/95

36 months for felonies classified in Severity Levels 1 - 6
24 months for felonies classified in Severity Level 7 - 10

12-19

SENTENCING RANGE - DRUG OFFENSES

Category ⇒	A	B	C	D	E	F	G	H	I
Severity Level ⇓	3 + Person Felonies	2 Person Felonies	1 Person & 1 Nonperson Felonies	1 Person Felony	3 + Nonperson Felonies	2 Nonperson Felonies	1 Nonperson Felony	2 + Misd.	1 Misd. No Record
I	204 194 185	196 186 176	187 178 169	179 170 161	170 162 154	167 158 150	162 154 146	161 150 142	154 146 138
II	83 78 74	77 73 68	72 68 65	68 64 60	62 59 55	59 56 52	57 54 51	54 51 49	51 49 46
III	51 49 46	47 44 41	42 40 37	36 34 32	32 30 28	26 24 23	23 22 20	19 18 17	16 15 14
IV	42 40 37	36 34 32	32 30 28	26 24 23	22 20 18	18 17 16	16 15 14	14 13 12	12 11 10

LEGEND
Presumptive Probation
Border Box
Presumptive Imprisonment

Recommended probation terms are:

36 months for felonies classified in Severity Levels 1 - 3

24 months for felonies classified in Severity Level 4

Postrelease supervision terms are:

For felonies committed before 4/20/95

24 months for felonies classified in Severity Levels 1 - 3

12 months for felonies classified in Severity Level 4

For felonies committed on or after 4/20/95

36 months for felonies classified in Severity Levels 1 - 3

24 months for felonies classified in Severity Level 4

STATE OF KANSAS

DEPARTMENT OF CORRECTIONS
OFFICE OF THE SECRETARY
Landon State Office Building
900 S.W. Jackson — Suite 400-N
Topeka, Kansas 66612-1284
(785) 296-3317

Bill Graves
Governor

Charles E. Simmons
Secretary

MEMORANDUM

To: House Appropriations Committee

From: Charles E. Simmons, Secretary

Subject: Alternative Corrections Proposal

Date: April 19, 2000

Upon review of the elements contained in the conference committee agreement reached previously on SB 323 (the Corrections Megabill), the Administration proposes that the plan be amended as outlined below.

This proposal is offered as a reasonable, balanced, compromise in addressing inmate crowding issues in that it includes capacity expansion, community alternatives, and revisions to sentencing laws. The proposal retains many of the sentencing revisions proposed in SB 490, SB 491, and SB 665 which were included in the SB 323 agreement, and thus would have a significant impact on reducing the projected KDOC inmate population. The Sentencing Commission estimates that the retained sentencing provisions would result in an inmate capacity impact of 677 beds saved on June 30, 2001, as compared to the provisions of current law.[1] Yet this proposal also provides needed high security bedspace for male inmates. The proposal represents a more cautious approach than the extensive sentencing revisions contained in SB 323, while preserving flexibility for additional sentencing and/or capacity changes as future circumstances warrant. The specifics of the proposed amendments to the SB 323 plan are summarized below.

SB 491

Delete the provisions relating to the increase in jail time from 30 to 120 days.

- *The increase in authorized jail time contained in SB 491 would impact only 25 KDOC beds.*

[1] The Sentencing Commission's population impact assessment for the remaining sentencing law provisions is attached.

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- *Increasing authorized jail sentences would shift costs to the counties. To address this impact, the House added a floor amendment to SB 491 requiring KDOC to reimburse counties at a rate of $45/day for jail days in excess of 30. This would create an obligation for the state, but the state would have no control over the extent to which the increased jail sentences would be imposed.*
- *The number of beds to be saved does not justify either the cost shift to counties or state assumption of responsibility for costs it can't control.*

Delete provision for retroactive application of reduced postrelease supervision periods for SL 5 and SL 6 offenders.

- *Most offenders in these severity levels have been convicted of person crimes and should not be given the benefit of retroactivity.*
- *The revised postrelease supervision period for SL5 and SL6 offenders would be retained for offenders who are convicted of offenses committed on or after the effective date of the act.*

SB 490

Amend provisions directing the court system to develop a validated risk/needs instrument.

- *There currently exists a validated risk/needs instrument for community corrections. The National Council on Crime and Delinquency—the agency which validated the community corrections instrument—has advised that there is not a need to establish and validate an additional instrument (see attached letter.)*

Amend the effective date from January 1, 2001 to publication in the statute book.

Delete the provision added by the House committee which provides judges with authority to assign any offender to community corrections, regardless of whether they fall within the target group.

- *Providing judges with this discretionary authority effectively defeats the original purpose of the bill.*

SB 665

Delete the provision that SL9 and SL10 probation condition violators cannot be sent to prison.

- *Removing incarceration as a possible sanction for these offenders means that local officials would have no ultimate sanction even when offenders repeatedly violate conditions.*
- *Removing incarceration as an option passes costs to local jurisdictions.*

Delete the provision that combines criminal history boxes H and I.

- *Combining the criminal history categories has only a modest impact on bedspace needs (ranging from 18 in FY 2001 to 62 in FY 2010)*
- *Offenders to benefit most from collapsing the two categories are the ones who commit the most serious crimes.*

- *Mid-range examples of sentencing reductions include: 21 months at SL1; 14 months at SL2; 7 months at SL3; and 4 months at SL 4 and 5.*

Delete the provision which eliminates post-incarceration supervision for probation condition violators.

- *This provision of SB 665 rewards offenders who do not comply with conditions of probation.*
- *The intent of SB 665 is not clear as to whether probation condition violators who are incarcerated would be returned to probation supervision upon completion of the prison sentence. If so, costs would be shifted to local jurisdictions and effective supervision may be hindered if incarceration is no longer a sanction option.*
- *Some offenders with short incarceration sentences may choose revocation as a means of shortening their overall period of supervision.*

Appropriations Measures

Retain the following authorizations contained in SB 323:

- *Day reporting centers—but delete provision which reserves $3.8 million in existing federal grant funds for FY 2002 funding. Instead, finance the FY 2002 operating costs with federal grant funds not yet awarded but anticipated to be received in FY 2001.*
- *$879,000 for community corrections grants.*
- *$750,000 for condition violator grant program.*
- *$4.4 million bond issue for capital improvement projects at Topeka Correctional Facility and Lansing Correctional Facility.*
- *$300,000 in CIBF expenditures for programs building at Larned Correctional Mental Health Facility.*
- *Proviso prohibiting KDFA from issuing bonds for prison construction without specific authorization from the Legislature.*

Add authorization for new cellhouse at Ellsworth Correctional Facility (ECF)

- *A Governor's Budget Amendment is forthcoming which requests authorization for construction of a new 100-bed maximum security cellhouse at Ellsworth Correctional Facility.*
- *Total cost of the project is $6,177,517, to be funded with $5,559,765 in federal Violent Offender Incarceration/Truth-in-Sentencing (VOI/TIS) grant funds and $617,752 in state matching funds.*
- *The department's immediate needs are for maximum and medium custody capacity. Inmates classified as maximum custody cannot be housed in lower custody beds. It is essential that Kansas have adequate capacity for its most dangerous offenders.*

Add authorization for a contingency fund to delay, if necessary, transfer of the Reception and Diagnostic Unit and use the cellhouses currently under construction at EDCF for general population inmates.

- *A Governor's Budget Amendment is forthcoming which requests authorization for establishment of a contingency fund to operate the two new cellhouses currently under construction at El Dorado Correctional Facility as general population housing units, if necessary, for a several month period.*

- *If this becomes necessary, it would delay the transfer of the RDU function from TCF to EDCF. It also would delay plans to move Topeka Correctional Facility functions from the grounds of the former Topeka State Hospital—which is currently scheduled for March 2002.*
- *The total authority requested for this contingency is 60.5 FTE, $253,086 in additional state funds, and $604,914 already contained in the FY 2001 budget for EDCF.*

Comparison of Impact

	Current SB 323 Components	Alternative Plan
SB 491, SB 665	924	677
Day reporting centers	220	220
Return predator beds at LCMHF to KDOC use	30	30
ECF expansion	-	100
Total	**1174**	**1027**

Attachments

REVISED SUMMARY OF SB 323 BED SAVINGS

Fiscal Year	1 Graduated Probation Periods-Beds Saved from Probation Violators Only	2 Graduated Probation Periods-Beds Saved Probation Violators w/new Sent	3 Mandatory Placement in CC for Conditional Probation Violators	4 Reduce PIS Period* Exclude Retroactivity for SL 5 & 6	5 **Total Beds Saved****
2001	254	32	179	212	677
2002	261	32	167	196	656
2003	265	35	134	203	637
2004	270	37	148	207	662
2005	271	35	131	207	644
2006	272	35	155	209	671
2007	276	35	146	216	673
2008	283	38	150	218	689
2009	287	39	143	229	698
2010	295	37	139	221	692

* Assumes no retroactivity for Severity Level 5 and 6 offenses. Reduced periods of postrelease supervision would apply only for offenses committed on or after July 1, 2000. Given a 13.4 month lag time till admission and accounting for LOS in prison, no bedspace savings impact will be realized for these severity levels until mid FY 2004.

** Assumes the "fully inclusive" provision unless otherwise indicated.

NCCD
NATIONAL COUNCIL ON CRIME AND DELINQUENCY
426 S. Yellowstone Drive, Suite 250
MADISON, WISCONSIN 53719
608/831-8882 FAX 608/831-6446

March 28, 2000

Chuck Simmons
Secretary
Kansas Department of Corrections
900 SW Jackson
Topeka, Kansas 66812

Dear Mr. Simmons:

I have reviewed the legislative proposal for Senate Bill 490 you recently forwarded to me, as well as the Kansas sentencing guidelines. Given the methods the legislation proposes for assigning offenders to community corrections, I believe that the risk and needs assessment instruments recently developed for your agency will effectively identify felony offenders who have a high risk or high needs profile. The instruments and assessment procedures you have just developed for use with community corrections cases are based on the model case classification procedures recommended by the National Institute of Corrections. Similar assessment methods have been effectively employed in more than 100 correctional jurisdictions in the United States. Under the circumstances, I doubt that the expense of a second effort to develop risk and needs assessment tools is necessary to implement the proposed legislation.

Sincerely,

Dennis Wagner, Ph.D.
Director of Research
NCCD

[O:\OFFICE\302\DW Correspondence\SimmonsLtr.wpd]

State of Kansas
Office of Judicial Administration
Kansas Judicial Center
301 SW 10th
Topeka, Kansas 66612-1507 (785) 296-2256

April 18, 2000

To: Duane A. Goossen
Director of the Budget

From: Jerry Sloan
Budget and Fiscal Officer

Re: Substitute Senate Bill 323

Substitute for Senate Bill 323 includes the provisions introduced originally in SB 490 and SB 665. SB 490 would establish a target offender population for community corrections programs and requires the Kansas Supreme Court to establish a risk assessment tool for use by court services officers to determine whether an offender is high risk, high needs, or both.

The target offender population for community corrections programs includes adult offenders convicted of felony offenses as follows:

- Offenders whose offense is classified in the nondrug grid or drug grid border boxes where the judge has the discretion to sentence the offender to probation or to imprisonment;
- Offenders whose presumptive sentence is imprisonment but who receive a nonprison sentence as a result of a departure;
- Offenders whose crime fits the definition of "offender" in the Kansas Offender Registration Act and which crime is classified as a severity level 7 or higher offense and who receive a nonprison sentence;
- Offenders who have violated their conditions of release;
- Offenders who are determined to be "high risk or high needs" by court services officers; and
- Offenders who have successfully completed a conservation camp program as a condition of supervision.

Further, juvenile offenders may be accepted into community corrections programs if approved by local community corrections advisory boards. Grants from community corrections funds administered by the Secretary of Corrections may not be used for this purpose.

Felons who fall outside of this target population would be supervised by court services officers.

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Sub. SB 323 also includes provisions originally included in SB 665 that would reduce the periods of probation that may be imposed under current law. The periods of probation for nondrug severity level 8 crimes and drug severity level 3 crimes would be reduced from 24 and 36 months, respectively, to a maximum of 18 months. For nondrug severity level 9 and 10 crimes and drug severity level 4 crimes, the periods of probation would be reduced from 24 months down to a maximum of 12 months. If the court finds that nonprison sanctions for offenders sentenced for the above-mentioned crimes would jeopardize public safety or not serve the offender's welfare, the court could impose a longer period of probation. This change is to be applied retroactively on or by September 1, 2000.

It is difficult to estimate the impact to court services officer caseloads as a result of enacting Sub. SB 323. The provisions originally included in SB 490 are expected to increase court services officer caseloads, while the provisions originally included in SB 665 are expected to decrease caseloads.

To address the expected caseload increases that might be attributed to the provisions of SB 490, Department of Corrections officials in charge of Community Corrections programs and the Community Corrections programs in each of the four largest urban counties (Sedgwick, Johnson, Wyandotte, and Shawnee Counties) were contacted. These officials were asked, of their present caseload, how many offenders would meet the criteria of SB 490 for placement in community corrections, and how many would not meet the criteria and consequently would be placed on probation under the supervision of a court services officer.

Unfortunately, only Wyandotte County Community Corrections officials could offer this type of information about their caseload. Of 600 offenders under active supervision by Wyandotte County Community Corrections in January 2000, 51 offenders were presumptive prison, 70 were border box or no presumption, and 20 were level 7 or above sex offenders. The remaining 459 did not meet those criteria of SB 490. Of those 459, it should be assumed that some would qualify as high risk or high needs. Officials had no idea of what percentage would so qualify. Assuming that 30 percent of the 459 offenders qualified as high risk, high needs, or both, 138 additional offenders could be placed in Community Corrections programs. (The 30 percent figure was suggested by Dr. Dennis Wagner, Director of Research for the National Council on Crime and Delinquency [NCCD], in a phone conversation on April 14, 2000. Dr. Wagner is the consultant who recently developed the Department of Corrections Risk/Needs tool.) The remaining 321, or 54 percent of the original 600 offenders, would be placed on probation under the supervision of a court services officer.

According to Department of Corrections officials, in FY 1999 an average daily population of 4,913.9 offenders were supervised by 220 Community Corrections officers. If 54 percent of those 4,913.9 offenders were to be supervised by court services officers, 2,653.5 additional probationers would be assigned to court services officers in FY 2001, assuming no caseload growth. According to the information from the National Council on Crime and Delinquency, medium supervision level cases average of 4.5 average monthly hours per case, and low supervision level cases would require an average of 2.8 average monthly hours per case. Multiplying the 2,635 offenders by only the 2.8 hours required for low supervision level cases times 12 months results in a total of 88,536 hours of supervision per year. The NCCD estimates that, subtracting for administrative tasks, vacation leave, and sick leave, a total of 120.6 hours per month, or 1,447.2 hours per year. Dividing the 88,536 hours of required low level supervision by the 1,447.2 supervision hours per officer results in a total of 61 new court services officers. Each court services officer has an FY 2001 cost of $32,408, including fringe benefits, for a total cost of $1,976,888. The Judicial Branch is not requesting, nor does it expect, an additional 61 new court services officers. We do note, however, that unless additional officers are added or the definition of offenders assigned to community corrections by SB 440 is amended, court services officer caseloads will be so high that the supervision provided will be meaningless.

The provisions of SB 665 reducing the length of probation would decrease the size of current caseloads. Again, it is difficult to state with certainty how this provision would impact caseloads, but the following table reflects what chief court services officers in the urban areas view as a representative current court services officer caseload by offense severity level. The impact of SB 665 is expected to reduce caseloads from the current 153 to 125. The resulting estimated caseload of 125 would allow court services officers to offer a more appropriate level of supervision than the current caseload of 153 allows, and no reduction in staffing is recommended as a result of this provision.

Severity Level	Current Probation Period	Probation Period Under Sub. SB 323	Estimated Percentage of Total CSO Caseload	Estimated Current Caseload by Severity Level	Caseload Resulting from SB 665 Reduction
Nondrug Levels 6 and 7	24 months	24 months	4%	6.1	6.1
Nondrug Level 8	24 months	18 months	7%	10.7	8
Nondrug Levels 9 and 10	24 months	12 months	20%	30.6	15.3
Drug Levels 1 and 2	36 months	36 months	2%	3	3
Drug Level 3	36 months	18 months	2%	3	1.5
Drug Level 4	24 months	12 months	10%	15.3	7.6
Misdemeanors			55%	84.2	84.2
Total			100%	153	125.7

KP:jlh

AISP
SUMMARY REPORT
January, 2000

TOTAL AISP CASELOAD AT END OF DECEMBER: 946

TOTAL JANUARY ADMISSIONS: 41

TOTAL JANUARY DISCHARGES: -44

*	New offense:	2	5%
*	Technical Revoc.	17	39%
*	Case Closure:	9	20%
*	Trans. C.S.	9	20%
*	Returned Ctsy. Sup.	2	5%
*	Absolute Discharge	5	11%

TOTAL ACTIVE CASES: 585 (62%)

*	Level I:	30	5 %
*	Level II:	30	5 %
*	Level III:	117	20%
*	Level IV:	408	70%

TOTAL INACTIVE CASES: 358 (38%)

*	Jail:	51	14%
*	Bench Warrants:	157	44%
*	S/Fed. Incarcer.:	53	15%
*	Ctsy. Supervision:	16	5%
*	Absconded:	41	11%
*	Bootcamp:	5	1%
*	Treatment:	17	5%
*	Other:	18	5%

(Other includes offenders who've been deported, house arrest, residential and unsupervised probation as per court orders)

TOTAL CASELOAD AT END OF JANUARY: 943

Average Caseload per ISO: 67

Average (Active) Caseload per ISO: 42

Average (Inactive) caseload per ISO: 25

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SENTENCING GUIDELINES
BY SEVERITY LEVEL--SELECTED OFFENSES

Level 6

Criminal use of explosives intended to be used to commit a crime, a public safety officer is placed at risk to diffuse the explosive or if another human being is in the building where the explosives are used.

Aggravated criminal threat.

Aggravated assault on law enforcement officer.

Aggravated escape from custody; escape is facilitated by the use of violence or threat of violence.

Arson; damage resulting in loss ≥ $25,000, < $50,000.

Aggravated arson; <u>no</u> substantial risk of bodily harm.

Level 7

Aggravated assault.

Criminal possession of explosives.

Criminal discharge of a firearm at occupied dwelling or vehicle.

Aggravated battery - intentional, bodily harm.

Aggravated battery - intentional, physical contact.

Arson; damage resulting in loss of < $25,000.

Criminal damage to property; damage of property ≥ $25,000.

Perjury; false statement is made upon the trial of a felony charge.

Level 8

Stalking when the offender has a previous conviction within 7 years for stalking the same victim.

Aggravated escape from custody; escaping while held in lawful custody upon a felony, etc.

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KANSAS DEVELOPMENT FINANCE AUTHORITY

Tobacco Settlement Securitization
KEY Questions & Answers

What is a securitization? A securitization is an asset-backed obligation. The investors are buying a revenue stream, a revenue stream that has been made into a security—hence the word securitization.

Why securitize? The tobacco settlement receipts (TSRs) are based on a formula which depends on U.S. cigarette consumption (consumption has been forecasted to decrease); and the financial health of the tobacco companies to meet their obligation. The TSRs may not be realized as projected in the Master Settlement Agreement.

What are the benefits to securitization? Receivable diversification; revenue budgeting flexibility; reduced potential political conflict between reliance on TSRs and efforts to eliminate tobacco consumption; potential to maximize KEY fund balances.

How would the securitization work? A special purpose entity, "Kansas tobacco settlement financing corporation (KTSFC)", which would sell a portion of the TSRs to investors (bondholders). The proceeds from the sale would be deposited to the State's KEY fund. As the TSRs flowed to the KTSFC, they would be used to pay the debt service. Amounts of the TSRs in excess of the debt service payment ("residual") would then flow to the KEY fund.

How does the securitization affect the KEY fund and Children's Initiative Fund expenditures? The expenditures stipulated in the 1999 Legislative session are preserved. The KEY fund is protected from the claims of the bondholders. In addition, since this is a taxable securitization, there are no limitations on how the proceeds may be spent.

How much will Kansas receive from the sale of the tobacco settlement receipts? The total present value of a securitization is currently estimated to be approximately **$621 million** ($416 million in bond proceeds and $205 million in residuals) based on debt service coverage of 1.35. The total present value of the current projected tobacco settlement receipts is approximately $631 million. The difference between these two present values is the present value of the bond reserve and cost of issuance.

April 19, 2000

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How much will it cost the state to securitize these TSRs? If the cost to borrow the bonds is less than the reinvestment income, there will not be a cost to the State.

If the TSRs diminish or cease, causing payment default on the bonds, what is the State's obligation? The State does not have an obligation. A seuritization by definition does not carry with it the same obligation as general or revenue obligation bonds. The investor is not buying a debt instrument, but a security which is created by future revenue streams. This type of transaction is not viewed by the market as a moral obligation.

Will a bond default hurt the State's credit reputation? No. The State's credit rating will not be affected if the deal is structured as a true sale. These bonds would be issued through a subsidiary, thus there would not be a direct association with the State. Furthermore, the tobacco bonds are not linked to the issuer (or indirectly the State) because the bonds are structured as asset-backed deals and do not rely on the issuer for interest and principal payments.

Have there been any securitizations to date? Yes. Three New York localities have completed transactions totaling about $1.1 billion.

Why would investors buy these bonds if there is risk to the revenue stream? There are mutual funds and high yield bond funds that believe that this is a good risk, and they are looking for high-yield bonds. In addition, these investors believe that the tobacco companies can absorb these payments based on their significant cash reserves and their ability to pass price increases on to the consumer.

Why securitize now? There is a sense that there is a finite market for these bonds. As more transactions are completed, the market will become saturated, and the premium demanded by the investors will increase.

April 19, 2000

KANSAS DEVELOPMENT FINANCE AUTHORITY

Tobacco Settlement Securitization

Taxable Securitization Proposal *March 30, 2000*

This analysis should be used for estimation purposes only. Assumptions made for this analysis are based on the best available information at the time of this analysis. No representation is made that these assumptions will prevail for the proposed transaction. Changes to these assumptions may have a material impact on the proposed transaction.

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WHY SECURITIZE?

The Uncertainty of Kansas Tobacco Settlement Receipts (TSRs)

The State of Kansas is projected to receive roughly $2 billion in TSRs over the next 30 years. There are two primary factors making uncertain the projected amount of TSRs the State of Kansas will receive under the terms of the Master Settlement Agreement (Agreement or MSA). First, projected receipts are based on a formula which depends on U.S. cigarette consumption, along with a number of other factors which introduce variability in TSRs actually realized by Kansas. Second, the estimated $2 billion in TSRs is dependent upon the financial health of the tobacco companies and their consequent ability to make the MSA mandated payments. The following table illustrates the impact of these two factors on the projected TSRs.

Financial Health of Tobacco Companies

U.S. Cigarette Consumption		Good	Poor
	Level	Payments as scheduled	**Decreasing or no payments**
	Decreasing	**Decreasing or no payments**	**Decreasing or no payments**

Threats to the Financial Health of Tobacco Companies

- Federal lawsuits
- Individual lawsuits (Whiteley and Henley cases)
- Class action lawsuits (Engle case)
- International lawsuits
- Bankruptcy
- Gray and black markets
- Decreased consumption

Forecasted U.S. Cigarette Consumption

- 58% decline over the next 43 years

BENEFITS of SECURITIZATION

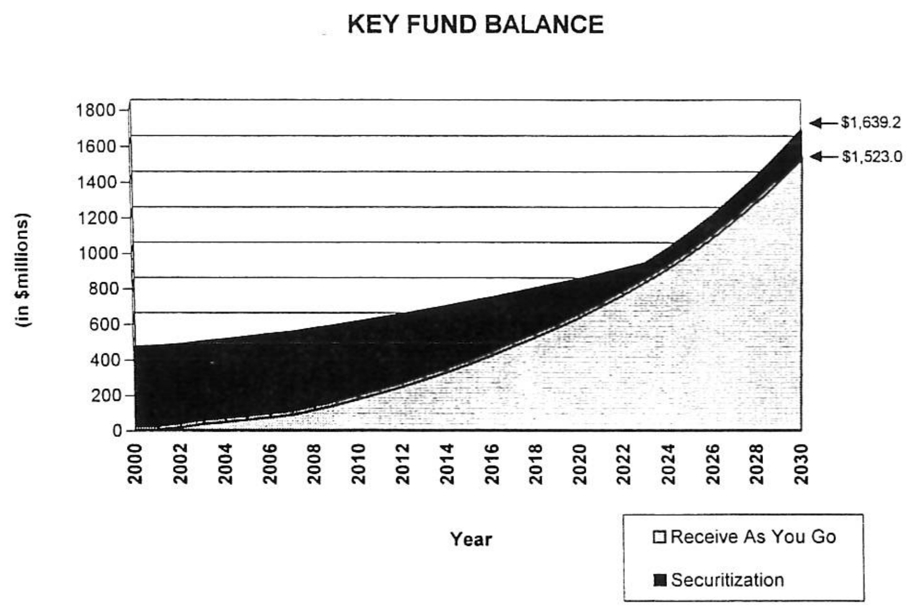
- ♦ **Replaces the risk of a single industry receivable with a diversified portfolio**
- ♦ **Increases reliability of revenue budgeting allowing more budget flexibility**
- ♦ **Eliminates potential conflicts between budget reliance on TSRs and efforts to eliminate tobacco consumption**
- ♦ **Maximizes KEY Fund balances, if costs to borrow are less than reinvestment income**

Kansas Development Finance Authority Proposal

Based on the benefits a securitization offers, KDFA recommends a taxable securitization, which carries no IRS spending restrictions on the proceeds, with the following parameters:

- A securitization of 30 years of TSRs, with the bonds being repaid in 24 years
- A non-recourse structure in which the net proceeds of the securitization are deposited into the KEY Fund
- A portion of the TSRs sold to Kansas Tobacco Settlement Financing Corporation (the "KTSFC") are pledged to the repayment of bonds
- The difference between total TSRs and the portion used to pay debt remain with the State and are deposited directly into the KEY Fund
- A debt service reserve is established using bond proceeds to provide additional credit enhancement for the bonds
- Interest earnings on the debt service reserve are used to offset debt service

The securitization being proposed estimates the following KEY Fund balances in years 2000 through 2030, contrasted with receiving TSRs annually ("Receive As You Go"):



For supporting detail, see Projections 1 and 2

Securitization Yields Higher Gross Value

The securitization projection yields a higher gross value of the KEY Fund at 2030 compared to the projected, Receive As You Go TSRs for two reasons. First, the cost to borrow the funds is projected to be 50 basis points less than the return on investment of the funds (9.5% vs.10%). The 10% investment rate of return assumes that the trust corpus and Annual Residual Additions are invested in both fixed income and equity securities by Kansas Public Employees Retirement System ("KPERs"). Second, with a securitization, a large amount of funds are received immediately, as indicated in the above graph, providing a larger amount of investment income in the early years.

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Receive As You Go vs. Proposed Securitization

Following is a comparison of the Receive As You Go and Proposed Securitization projections:

	NO SECURITIZATION Receive Projected TSRs As Scheduled (Receive As You Go)		SECURITIZATION Securitize 30 Years of TSRs with Taxable Bonds maturing in 24 years	
(in millions)	Gross Value	Present Value	Gross Value	Present Value
Initial Deposit to KEY Fund	$0.0	$0.0	$415.8	$415.8
TSR's (no securitization)	2,027.9	631.2	-	-
Annual Residual Additions	-	-	913.4	205.3
Projected Investment Income	1,389.8	203.9	2,204.7	555.9
Less Legislatively Authorized Expenditures	(1,894.7)	(541.3)	(1,894.7)	(541.3)
Estimated KEY Fund Balance at 6/01/2030	$1,523.0	$293.8	$1,639.2	$635.7

The above projections are based upon the expenditure and investment income assumptions made during the 1999 Legislative Session, as more fully defined below:

(1) Tobacco Settlement Receipts ("TSRs") are projected through 2030. These projections include volume, inflation, and settling state adjustments. For comparison to the TSRs projected for the 1999 Legislative Session, see Schedule 1, page 13, notes 5 and 6.
(2) The investment income is projected assuming a 10% return, based on the 1999 Legislative Session assumption.
(3) The present value is calculated assuming a 9.5% discount rate. (This is a conservative estimate of the anticipated rate of interest cost on the bonds.)
(4) Expenditures include the amount projected to be transferred to the Children's Initiative Fund, as well as the mandated transfers to the State General Fund in years 2001 and 2002.
(5) For supporting detail, see Projections 1 and 2, pages 7 and 8, and the related supporting schedules.

Assumptions applicable only to the securitization projection:

(1) Annual Residual Additions are the TSRs in excess of debt service payments.
(2) An average interest rate cost on the bonds of 9.5% is assumed, based on a taxable securitization.
(3) A debt service reserve of 10% is established from the bond proceeds.
(4) A debt service coverage ratio of 1.35 is assumed. The three New York tobacco bond issues had a planned debt service coverage average of between 1.30 and 1.45.
(5) The interest earnings on the debt service reserve are used to pay a portion of the debt service payment. The assumed interest earnings rate on the debt service reserve is 6.75%.

Securitization Yields Higher Present Value

As well as a higher gross value as depicted in the preceding graph, the securitization projection yields a higher present value compared to the Receive As You Go projection, due to the fact that a large amount of the funds are received immediately; therefore the discount period for both the immediate receipts and the stream of investment income in the early years is shorter.

Sensitivity analysis was performed on the securitization projection varying the rate of return on investment. On a present value basis, the return on investment could be as low as 7% and the

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securitization option will still exceed the present value of the regularly scheduled receipts. On a gross value basis, the securitization option would yield a higher value at a return on investment of 10% or greater. (See Analyses 1 and 2, pages 10 and 11, for supporting detail).

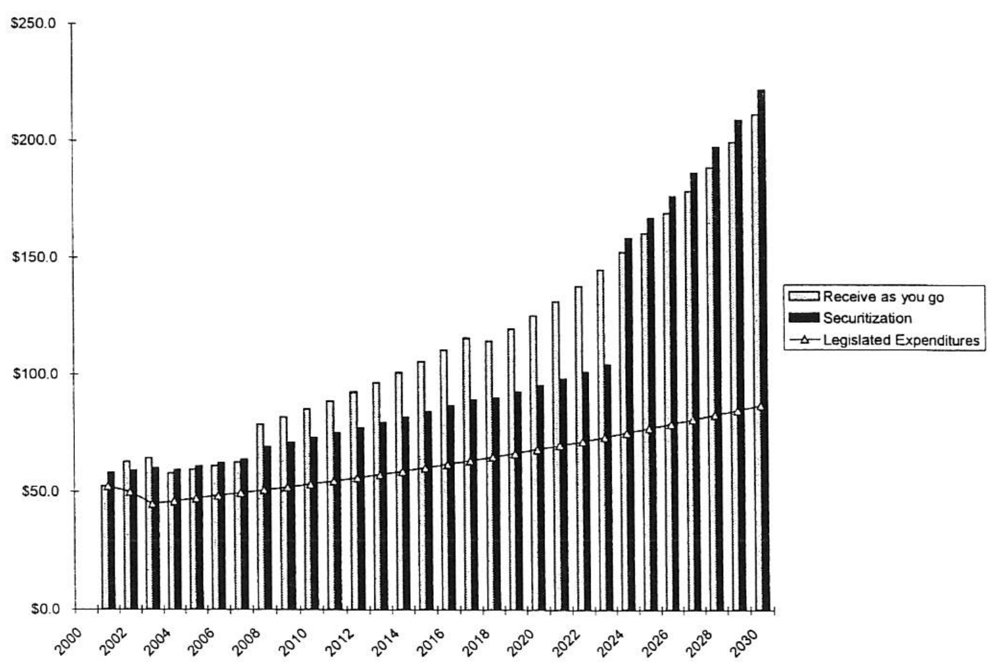
Structure vs. Goals

The structure currently being contemplated involves the securitization of 30 years of TSRs with a debt service coverage ratio of 1.35, an assumed interest rate cost of 9.5%, a reinvestment rate of 10%, an estimated initial deposit to the KEY trust fund of approximately $415.8 million in bond proceeds (after providing for costs of issuance and a debt service reserve), a final maturity date of 2024, and an ending trust balance of approximately $1.6 billion in 2030. *However, market conditions may require KDFA to make modifications to these terms, depending on the timing of the issue and conditions of the market at the time of financing. Factors that may affect the way KDFA would structure the bond issue include the number of tobacco transactions that occur before Kansas enters the market, the models being developed to optimize the proceeds, the litigation developments with regards to the tobacco industry, and general market conditions as affected by the economy.* However, any structure would be designed to meet the following legislative goals:

(1) The bonds are structured to meet the current expenditure schedule as stipulated by the 1999 Legislative Session (including transfers to the State General Fund in 2001 and 2002).
(2) The present value of the proposed securitization equals or exceeds the present value of the portion of the Receive As You Go TSRs being securitized, as measured by the 1999 Legislative Session assumptions for investment income, and the current market interest rate on the proposed bonds.

More Monies Available for Distribution in the Latter Years

A securitization will also potentially offer more monies available for distribution in later years, after the bonds are paid off (currently year 2024) as depicted in the following graph:



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Note: The monies available for distribution includes both the TSRs and the investment income based on the 1999 Legislative Session expenditure schedule. These figures are aggregated from Projections 1 and 2.

Supporting Detail

Attached are supporting schedules that provide detail for the Receive As You Go and Securitization Projections as well as Sensitivity Analyses. Both options are based on the estimated TSRs as calculated in Schedules 1 through 4. These estimated TSRs also provide the basis for the debt service projections in Schedules 5 through 8, which determine the proceeds used in Projection 2. Last, schedules 9 through 17 support Analyses 1 and 2.

Detailed Projections
Receive As You Go vs. Securitization

This analysis should be used for estimation purposes only. Assumptions made for this analysis are based on the best available information at the time of this analysis. No representation is made that these assumptions will prevail for the proposed transaction. Changes to these assumptions may have a material impact on the proposed transaction.

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PROJECTION 1: RECEIVE AS YOU GO ASSUMING NO SECURITIZATION

- Receive as you go Tobacco Settlement Receipts are based on KDFA's projections
- Expenditures are based on Chapter 172 of the 1999 Session Laws

(in millions)

Date	Tobacco Settlement Receipts (TSRs) (1) *(from Schedule 1)*	Investment Income on the KEY Fund (2)	Transfers to the Children's Initiative Fund (3)	KEY Fund Balance	Present Value of Tobacco Settlement Receipts	Present Value of Investment Income	Present Value of Expenditures	Present Value Factor (4)
2000								
2001	$52.5	$0.0	$52.4	$0.1	$47.9	$0.0	$47.9	1.095000
2002	63.0	0.0	50.0	13.1	52.5	0.0	41.7	1.199025
2003	63.3	1.3	45.0	32.7	48.2	1.0	34.3	1.312932
2004	55.0	3.3	46.1	44.9	38.3	2.3	32.1	1.437661
2005	55.3	4.5	47.3	57.4	35.1	2.9	30.0	1.574239
2006	55.6	5.7	48.5	70.2	32.3	3.3	28.1	1.723791
2007	55.8	7.0	49.7	83.3	29.6	3.7	26.3	1.887552
2008	70.7	8.3	50.9	111.4	34.2	4.0	24.6	2.066869
2009	71.0	11.1	52.2	141.3	31.4	4.9	23.1	2.263222
2010	71.4	14.1	53.5	173.3	28.8	5.7	21.6	2.478228
2011	71.7	17.3	54.8	207.5	26.4	6.4	20.2	2.713659
2012	72.1	20.8	56.2	244.2	24.3	7.0	18.9	2.971457
2013	72.4	24.4	57.6	283.4	22.3	7.5	17.7	3.253745
2014	72.8	28.3	59.0	325.5	20.4	7.9	16.6	3.562851
2015	73.2	32.6	60.5	370.8	18.8	8.4	15.5	3.901322
2016	73.6	37.1	62.0	419.5	17.2	8.7	14.5	4.271948
2017	73.9	42.0	63.6	471.8	15.8	9.0	13.6	4.677783
2018	67.4	47.2	65.2	521.2	13.2	9.2	12.7	5.122172
2019	67.8	52.1	66.8	574.3	12.1	9.3	11.9	5.608778
2020	68.1	57.4	68.5	631.3	11.1	9.3	11.2	6.141612
2021	68.5	63.1	70.2	692.7	10.2	9.4	10.4	6.725065
2022	68.8	69.3	71.9	758.9	9.3	9.4	9.8	7.363946
2023	69.2	75.9	73.7	830.3	8.6	9.4	9.1	8.063521
2024	69.6	83.0	75.5	907.4	7.9	9.4	8.6	8.829556
2025	69.9	90.7	77.4	990.6	7.2	9.4	8.0	9.668364
2026	70.3	99.1	79.3	1,080.7	6.6	9.4	7.5	10.586858
2027	70.7	108.1	81.2	1,178.3	6.1	9.3	7.0	11.592610
2028	71.1	117.8	83.2	1,284.0	5.6	9.3	6.6	12.693908
2029	71.4	128.4	85.2	1,398.6	5.1	9.2	6.1	13.899829
2030	71.8	139.9	87.3	1,523.0	4.7	9.2	5.7	15.220313
	$2,027.9	$1,389.8	$1,894.7		$631.2	$203.9	$541.3	

Notes:

(1) The TSRs presented are the TSRs based on KDFA projections. These amounts include volume, inflation, and settling states adjustments. See Schedules 1 through 4.

(2) Investment income is projected at approximately 10%. This is the interest rate assumed by the 1999 Session Legislature.

(3) The transfers are the projected expenditures taken from the KEY Fund legislation: Chapter 172 of the 1999 Session Laws.

(4) A present value discount factor of 9.5% is assumed. This is the approximate anticipated rate of interest cost on the bonds.

No Securitization (30 years): *(Receive as you go TSRs)*	Gross Value	Present Value
Initial Deposit to KEY Fund:	$0.0	$0.0
Tobacco Settlement Receipts:	2,027.9	631.2
Investment Income:	1,389.8	203.9
Less Expenditures:	(1,894.7)	(541.3)
KEY Fund Balance (*at 6/01/2030*):	$1,523.0	$293.8

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PROJECTION 2: PROPOSED TAXABLE SECURITIZATION
(in millions)

- Tobacco Settlement Receipts are based on KDFA's projections
- Expenditures are based on Chapter 172 of the 1999 Legislative Session Laws

Net Bond Proceeds: $415,763,500 (1)

Date	Beginning Key Fund Balance	Annual Residual Additions (2) *(from Schedule 7)*	Investment Income on the KEY Fund (3)	Annual Expenditures (4)	Ending Key Fund Balance	Present Value of Annual Residual Additions	Present Value of Investment Income	Present Value of Expenditures	Present Value Factor (6)
2000	$415.8				$415.8				
2001	415.8	$16.7	$41.6	$52.4 (5)	421.7	$15.3	$38.0	$47.9	1.095000
2002	421.7	17.1	42.2	50.0	431.0	14.3	35.2	41.7	1.199025
2003	431.0	17.2	43.1	45.0	446.3	13.1	32.8	34.3	1.312932
2004	446.3	15.1	44.6	46.1	459.9	10.5	31.0	32.1	1.437661
2005	459.9	15.2	46.0	47.3	473.8	9.7	29.2	30.0	1.574239
2006	473.8	15.2	47.4	48.5	487.9	8.8	27.5	28.1	1.723791
2007	487.9	15.3	48.8	49.7	502.3	8.1	25.9	26.3	1.887552
2008	502.3	19.1	50.2	50.9	520.7	9.2	24.3	24.6	2.066869
2009	520.7	19.2	52.1	52.2	539.8	8.5	23.0	23.1	2.263222
2010	539.8	19.3	54.0	53.5	559.6	7.8	21.8	21.6	2.478228
2011	559.6	19.4	56.0	54.8	580.2	7.1	20.6	20.2	2.713659
2012	580.2	19.5	58.0	56.2	601.5	6.6	19.5	18.9	2.971457
2013	601.5	19.6	60.2	57.6	623.7	6.0	18.5	17.7	3.253745
2014	623.7	19.7	62.4	59.0	646.8	5.5	17.5	16.6	3.562851
2015	646.8	19.8	64.7	60.5	670.8	5.1	16.6	15.5	3.901322
2016	670.8	19.9	67.1	62.0	695.8	4.7	15.7	14.5	4.271948
2017	695.8	20.0	69.6	63.6	721.8	4.3	14.9	13.6	4.677783
2018	721.8	18.3	72.2	65.2	747.1	3.6	14.1	12.7	5.122172
2019	747.1	18.4	74.7	66.8	773.4	3.3	13.3	11.9	5.608778
2020	773.4	18.5	77.3	68.5	800.7	3.0	12.6	11.2	6.141612
2021	800.7	18.6	80.1	70.2	829.2	2.8	11.9	10.4	6.725065
2022	829.2	18.7	82.9	71.9	858.9	2.5	11.3	9.8	7.363946
2023	858.9	18.8	85.9	73.7	889.9	2.3	10.7	9.1	8.063521
2024	889.9	69.6	89.0	75.5	973.0	7.9	10.1	8.6	8.829556
2025	973.0	69.9	97.3	77.4	1,062.8	7.2	10.1	8.0	9.668364
2026	1,062.8	70.3	106.3	79.3	1,160.1	6.6	10.0	7.5	10.586858
2027	1,160.1	70.7	116.0	81.2	1,265.6	6.1	10.0	7.0	11.592610
2028	1,265.6	71.1	126.6	83.2	1,380.1	5.6	10.0	6.6	12.693908
2029	1,380.1	71.4	138.0	85.2	1,504.3	5.1	9.9	6.1	13.899829
2030	1,504.3	71.8	150.4	87.3	1,639.2	4.7	9.9	5.7	15.220313
		$913.4	$2,204.7	$1,894.7		$205.3	$555.9	$541.3	

Notes:

(1) This represents the amount of bond proceeds that will be deposited in the KEY Fund after providing for costs of issuance and a debt service reserve. See Schedule 5.

(2) Except for the TSRs in the years 2024 - 2030, this column represents the annual excess of the TSR after debt service is made. The debt service coverage ratio is approximately 1.35. Thus, approximately 26% of the TSRs will not be used to pay debt service, and will flow directly to the KEY Fund. See Schedules 7 and 8.

(3) This column represents investment income of 10% annually on the sum of bond proceeds and residual additions.

(4) The annual expenditures (transfers to the Children's Initiative Fund and the State General Fund) are taken from the KEY Fund legislation: Chapter 172 of the 1999 Session Laws.

(5) This expenditure represents the remaining expenditures left to be paid from the 2001 TSR. Total budgeted expenditures through 2001 are $121.4 million ($20.7 plus $100.7), less the 1998 and 2000 TSRs of approximately $69 million, equals remaining expenditures of $52.4 million.

(6) A present value discount factor of 9.5% is assumed. This is the approximate anticipated rate of interest cost on the bonds. See schedule 6.

(7) The debt service reserve is invested at 6.75%, and the investment income is used to pay a portion of the debt service payment. See Schedule 7.

Taxable Securitization (30 years):	Gross Value	Present Value
Initial Deposit to KEY Fund:	415.8	$415.8
Annual Residual Additions:	913.4	205.3
Investment Income:	2,204.7	555.9
Less Expenditures:	(1,894.7)	(541.3)
KEY Fund Balance *(as of 6/01/2030)*:	$1,639.2	$635.7

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Taxable Securitization Investment Income Sensitivity Analyses

This analysis should be used for estimation purposes only. Assumptions made for this analysis are based on the best available information at the time of this analysis. No representation is made that these assumptions will prevail for the proposed transaction. Changes to these assumptions may have a material impact on the proposed transaction.

ANALYSIS 1: TAXABLE SECURITIZATION SENSITIVITY ANALYSIS (Gross Value)

Purpose: to demonstrate the range of investment rates in which the gross value at 6/01/2030 of the KEY Fund for the securitization option will exceed the gross value for the Receive As You Go option, assuming that the regularly scheduled TSRs are invested at 10%.

Investment rate	0%	6%	7%	8%	9%
Initial Deposit to KEY Fund:	$415,763,500	$415,763,500	$415,763,500	$415,763,500	$415,763,500
Annual Residual Additions:	913,406,485	913,406,485	913,406,485	913,406,485	913,406,485
Investment Income:	0	352,574,015	512,307,733	879,621,233	1,424,988,367
Less Expenditures (1):	(1,894,700,000)	(1,894,700,000)	(1,894,700,000)	(1,894,700,000)	(1,894,700,000)
KEY Fund Balance (*as of 6/01/2030*):	($565,530,015)	($212,956,000)	($53,222,282)	$314,091,218	$859,458,352

Investment rate	**10%**	11%	12%	15%	20%
Initial Deposit to KEY Fund:	**$415,763,500**	$415,763,500	$415,763,500	$415,763,500	$415,763,500
Annual Residual Additions:	**913,406,485**	913,406,485	913,406,485	913,406,485	913,406,485
Investment Income:	**2,203,435,984**	3,294,260,828	4,800,887,083	13,367,205,796	59,629,187,504
Less Expenditures:	**(1,894,700,000)**	(1,894,700,000)	(1,894,700,000)	(1,894,700,000)	(1,894,700,000)
KEY Fund Balance (as of 6/01/2030):	**$1,637,905,969** (2)	$2,728,730,813	$4,235,357,068	$12,801,675,781	$59,063,657,489

Notes:

(1) At investment rates of 0%, 6%, and 7%, expenditures authorized by the 1999 Legislature would result in a gross value deficit. In reality, KDFA knows this would not occur, and that expenditures would be limited to the available income and annual residual additions. However, for purposes of preserving the integrity of the model, formulas were not manually adjusted to reflect the exhaustion of the fund.

(2) This amount differs from Projection 2 due to rounding differences.

(3) For supporting detail, see Schedules 9 through 17.

Conclusion: Based on the above projections, the gross value of the KEY Fund as of 6/01/2030 will exceed the gross value of the regularly scheduled TSRs ($1,523.0 million per Projection 1, page 7), at investment rates of 10% or higher, given that the regularly scheduled TSRs are invested at 10%, and all other variables remain constant.

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ANALYSIS 2: TAXABLE SECURITIZATION SENSITIVITY ANALYSIS (Present Value)

Purpose: to demonstrate the range of investment rates in which the present value at 6/01/2030 of the KEY Fund for the securitization option will exceed the present value for the Receive As You Go option, assuming that the regularly scheduled TSRs are invested at 10%.

Investment rate	0%	6%	7%	8%	9%
Initial Deposit to KEY Fund:	$415,763,500	$415,763,500	$415,763,500	$415,763,500	$415,763,500
Annual Residual Additions:	205,348,368	205,348,368	205,348,368	205,348,368	205,348,368
Investment Income:	0	179,268,570	234,721,219	315,717,139	420,577,778
Less Expenditures (1):	(541,278,580)	(541,278,580)	(541,278,580)	(541,278,580)	(541,278,580)
KEY Fund Balance (*as of 6/01/2030*):	$79,833,288	$259,101,858	$314,554,507	$395,550,427	$500,411,066

Investment rate	**10%**	11%	12%	15%	20%
Initial Deposit to KEY Fund:	**$415,763,500**	$415,763,500	$415,763,500	$415,763,500	$415,763,500
Annual Residual Additions:	**205,348,368**	205,348,368	205,348,368	205,348,368	205,348,368
Investment Income:	**555,597,545**	729,291,889	952,496,449	2,076,158,795	7,239,519,610
Less Expenditures:	**(541,278,580)**	(541,278,580)	(541,278,580)	(541,278,580)	(541,278,580)
KEY Fund Balance (as of 6/01/2030):	**$635,430,833** (2)	$809,125,177	$1,032,329,737	$2,155,992,083	$7,319,352,898

Notes:

(1) At investment rates of 0%, 6%, and 7%, expenditures authorized by the 1999 Legislature would result in a gross value deficit as shown on the previous page. In reality, KDFA knows that this would not occur, and that expenditures would be limited to the available income and annual residual additions. However, for purposes of preserving the integrity of the model, formulas were not manually adjusted to reflect the exhaustion of the fund.

(2) This amount differs from Projection 2 due to rounding differences.

(3) For supporting detail, see Schedules 9 through 17.

Conclusion: Based on the above projections, the present value of the KEY Fund as of 6/01/2030 will exceed the present value of the regularly scheduled TSRs ($293.8 million per Projection 1, page 7), at investment rates of 7% or higher, given that the regularly scheduled TSRs are invested at 10%, and all other variables remain constant.

Estimated Tobacco Settlement Receipts to the State of Kansas

This analysis should be used for estimation purposes only. Assumptions made for this analysis are based on the best available information at the time of this analysis. No representation is made that these assumptions will prevail for the proposed transaction. Changes to these assumptions may have a material impact on the proposed transaction.

SCHEDULE 1: ESTIMATED TOTAL TOBACCO SETTLEMENT RECEIPTS TO THE STATE OF KANSAS

(over the next 30 years - the annual payments continue in perpetuity)

Year	Upfront Payments (1)	Annual Payments	Strategic Payments	Total Tobacco Settlement Receipts ("TSRs") (2) (3)	1999 State Estimates
1998	$20,008,109	0	0	$ 20,008,109	0
1999	0	0	0	0	0
2000	18,588,734	$30,514,568	0	49,103,302	0
2001	18,583,572	33,897,791	0	52,481,363	$ 130,000,000
2002	18,674,657	44,279,240	0	62,953,897	69,000,000
2003	18,765,292	44,494,895	0	63,260,187	70,000,000
2004	0	55,031,157	0	55,031,157	58,000,000
2005	0	55,300,921	0	55,300,921	58,000,000
2006	0	55,570,818	0	55,570,818	58,000,000
2007	0	55,844,106	0	55,844,106	58,000,000
2008	0	57,233,036	$13,437,258	70,670,294	72,000,000
2009	0	57,514,442	13,503,327	71,017,769	72,000,000
2010	0	57,799,417	13,570,234	71,369,651	72,000,000
2011	0	58,086,443	13,637,622	71,724,065	72,000,000
2012	0	58,378,135	13,706,106	72,084,241	72,000,000
2013	0	58,673,094	13,775,357	72,448,451	72,000,000
2014	0	58,969,660	13,844,985	72,814,645	72,000,000
2015	0	59,266,598	13,914,701	73,181,299	72,000,000
2016	0	59,566,173	13,985,035	73,551,208	72,000,000
2017	0	59,870,554	14,056,498	73,927,052	59,000,000
2018	0	67,431,966	0	67,431,966	66,000,000
2019	0	67,778,581	0	67,778,581	66,000,000
2020	0	68,129,310	0	68,129,310	66,000,000
2021	0	68,482,457	0	68,482,457	66,000,000
2022	0	68,840,030	0	68,840,030	66,000,000
2023	0	69,200,126	0	69,200,126	66,000,000
2024	0	69,564,641	0	69,564,641	66,000,000
2025	0	69,931,733	0	69,931,733	66,000,000
2026	0	70,303,087	0	70,303,087	66,000,000
2027	0	70,677,098	0	70,677,098	66,000,000
2028	0	71,054,967	0	71,054,967	66,000,000
2029	0	71,437,982	0	71,437,982	66,000,000
2030	0	71,824,535	0	71,824,535	66,000,000
Totals	$94,620,364	$1,864,947,561	$137,431,123	$2,096,999,048	$2,066,000,000

Notes:

(1) The total of the Upfront Payments for years 1998 and 2000 approximate the total actually received.

(2) These payments include inflation, volume and settling states reduction adjustments.

- The inflation adjustment is assumed at 3% per annum.
- The volume adjustment is approximately 2.5% per annum after year 2000; year 2000 approximates actual. This is more conservative than the estimates used in the three New York transactions of slightly less than 2% per year; but this is less than than the volume adjustment of 3% that Standard & Poor's originally proposed.
- The settling states reduction adjustment is prescribed by the MSA.

(3) The Total Payments used for the Receive as you go and Securitization projections include years 2001 through 2030.

(4) For support behind these projections, see Schedules 2, 3 and 4.

(5) At 2023, the total receipts projected by KDFA and the 1999 Legislature equal $1,602,205,005 and 1,604,000,000, respectively. The 1999 Legislature figures did not include volume or inflation adjustments. As a result, these amounts are higher in the early years. This translates into a lower KEY Fund balance in 2023 than was originally projected in the 1999 Legislative Session (as inferred from the graph on page 2.)

(6) Receipts projected after 2023 in the 1999 Session Legislature column are based on the assumptions used in 1999 and extrapolated through year 2030.

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SCHEDULE 2: ESTIMATED UPFRONT SETTLEMENT PAYMENTS TO THE STATE OF KANSAS

Year	MSA Total Upfront Payment (1)	Adjustment (2)	Adjusted Volume (3)	Kansas Allocation (1)	Kansas Payment
	A	B	C	D	E
		Actual volume/base volume factor	*Column A - (Column A *.98* (1-Column B)*		*Column C * Column D (taken to Exhibit 1)*
1998	$2,400,000,000	0.000000	$2,400,000,000	0.008336712	$20,008,109
1999	0	0.000000	0	0.008336712	0
2000	2,472,000,000	0.900000	2,229,744,000	0.008336712	18,588,734
2001	2,546,000,000	0.873000	2,229,124,840	0.008336712	18,583,572
2002	2,622,544,800	0.851175	2,240,050,575	0.008336712	18,674,657
2003	2,701,221,144	0.829896	2,250,922,393	0.008336712	18,765,292
2004	-		-		-
2005	-		-		-
2006	-		-		-
2007	-		-		-
2008	-		-		-
2009	-		-		-
2010	-		-		-
2011	-		-		-
2012	-		-		-
2013	-		-		-
2014	-		-		-
2015	-		-		-
2016	-		-		-
2017	-		-		-
2018	-		-		-
2019	-		-		-
2020	-		-		-
2021	-		-		-
2022	-		-		-
2023	-		-		-
2024	-		-		-
2025	-		-		-
2026	-		-		-
2027	-		-		-
2028	-		-		-
2029	-		-		-
2030	-		-		-
Totals	$12,741,765,944		$11,349,841,808		$94,620,364

Notes:

(1) Prescribed by the MSA.

(2) The volume adjustment is approximately 2.5% decline per year after year 2000; year 2000 approximates actual.

(3) Prescribed by the MSA: VA = ABP -(ABP *.98* (1-actual volume/base volume)).

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SCHEDULE 3: ESTIMATED ANNUAL SETTLEMENT PAYMENTS TO THE STATE OF KANSAS *(over the next 30 years - the annual payments continue in perpetuity)*

Year	MSA Total Annual Payments (1) A	Inflation Adjustment (2) B	MSA Total Annual Payments with Inflation Adjustment C	Volume Adjustment (3) D	MSA Total Annual Payments with Inflation and Volume Adjustments (4) E	Settling States Reduction Adjustment (1) F	MSA Total Annual Payments with Inflation, Volume and Settling States Adjustments G	Kansas Allocation Percentage (1) H	Kansas Allocation of MSA Payments I
		Inflation assumed at 3% per annum	*Column A * B*	*Based on an approximate 2.5% decline after year 2000; year 2000 approximates actual*	*Column C -(Column C *.98* (1- Column D))*		*Column E *(1- Column F)*		*Column G * Column H (taken to Exhibit 1)*
1998	-	-	-			-	-	-	-
1999	-	-	-	1.000000		-	-	-	-
2000	$4,500;000,000	1.0300	$4,635,000,000	0.900000	$4,180,770,000	0.1245	$3,660,264,135	0.008336712	$30,514,568
2001	5,000,000,000	1.0609	5,304,500,000	0.873000	4,644,301,930	0.1245	4,066,086,340	0.008336712	33,897,791
2002	6,500,000,000	1.0927	7,102,550,000	0.851175	6,066,653,736	0.1245	5,311,355,346	0.008336712	44,279,240
2003	6,500,000,000	1.1255	7,315,750,000	0.829896	6,096,200,429	0.1245	5,337,223,476	0.008336712	44,494.895
2004	8,000,000,000	1.1593	9,274,400,000	0.809148	7,539,762,967	0.1245	6,601,062,478	0.008336712	55,031,157
2005	8,000,000,000	1.1941	9,552,800,000	0.788920	7,576,723,076	0.1245	6,633,421,053	0.008336712	55,300,921
2006	8,000,000,000	1.2299	9,839,200,000	0.769197	7,613,701,460	0.1245	6,665,795,628	0.008336712	55,570,818
2007	8,000,000,000	1.2668	10,134,400,000	0.749967	7,651,144,254	0.1245	6,698,576,794	0.008336712	55,844,106
2008	8,139,000,000	1.3048	10,619,767,200	0.731217	7,822,442,570	0.122373756	6,865,180,892	0.008336712	57,233,036
2009	8,139,000,000	1.3439	10,938,002,100	0.712937	7,860,904,317	0.122373756	6,898,935,930	0.008336712	57,514,442
2010	8,139,000,000	1.3842	11,266,003,800	0.695114	7,899,853,902	0.122373756	6,933,119,108	0.008336712	57,799,417
2011	8,139,000,000	1.4257	11,603,772,300	0.677736	7,939,083,785	0.122373756	6,967,548,283	0.008336712	58,086,443
2012	8,139,000,000	1.4685	11,952,121,500	0.660792	7,978,951,375	0.122373756	7,002,537,126	0.008336712	58,378,135
2013	8,139,000,000	1.5126	12,311,051,400	0.644273	8,019,265,486	0.122373756	7,037,917,848	0.008336712	58,673,094
2014	8,139,000,000	1.5580	12,680,562,000	0.628166	8,059,799,191	0.122373756	7,073,491,291	0.008336712	58,969,660
2015	8,139,000,000	1.6047	13,060,653,300	0.612462	8,100,383,831	0.122373756	7,109,109,437	0.008336712	59,266,598
2016	8,139,000,000	1.6528	13,452,139,200	0.597150	8,141,328,809	0.122373756	7,145,043,824	0.008336712	59,566,173
2017	8,139,000,000	1.7024	13,855,833,600	0.582221	8,182,930,821	0.122373756	7,181,554,841	0.008336712	59,870,554
2018	9,000,000,000	1.7535	15,781,500,000	0.567666	9,095,078,559	0.110666667	8,088,556,529	0.008336712	67,431,966
2019	9,000,000,000	1.8061	16,254,900,000	0.553474	9,141,829,232	0.110666667	8,130,133,461	0.008336712	67,778,581
2020	9,000,000,000	1.8603	16,742,700,000	0.539637	9,189,134,792	0.110666667	8,172,203,872	0.008336712	68,129,310
2021	9,000,000,000	1.9161	17,244,900,000	0.526146	9,236,766,452	0.110666667	8,214,564,295	0.008336712	68,482.457
2022	9,000,000,000	1.9736	17,762,400,000	0.512993	9,284,995,126	0.110666667	8,257,455,662	0.008336712	68,840,030
2023	9,000,000,000	2.0328	18,295,200,000	0.500168	9,333,564,122	0.110666667	8,300,649,689	0.008336712	69,200,126
2024	9,000,000,000	2.0938	18,844,200,000	0.487664	9,382,729,190	0.110666667	8,344,373,823	0.008336712	69,564,641
2025	9,000,000,000	2.1566	19,409,400,000	0.475472	9,432,241,712	0.110666667	8,388,406,959	0.008336712	69,931,733
2026	9,000,000,000	2.2213	19,991,700,000	0.463585	9,482,329,200	0.110666667	8,432,951,432	0.008336712	70,303,087
2027	9,000,000,000	2.2879	20,591,100,000	0.451996	9,532,774,939	0.110666667	8,477,814,509	0.008336712	70,677,098
2028	9,000,000,000	2.3565	21,208,500,000	0.440696	9,583,741,094	0.110666667	8,523,140,410	0.008336712	71,054,967
2029	9,000,000,000	2.4272	21,844,800,000	0.429678	9,635,401,375	0.110666667	8,569,083,620	0.008336712	71,437,982
2030	9,000,000,000	2.5000	22,500,000,000	0.418936	9,687,538,800	0.110666667	8,615,451,170	0.008336712	71,824,535
Totals	$252,890,000,000		$431,369,806,400		$253,392,326,532		$223,703,009,261		$1,864,947,561

Notes:

(1) Prescribed by the MSA.

(2) The MSA prescribes the greater of the Consumer Price Index for the preceding year or 3%.

(3) The volume adjustment is approximately 2.5% per annum after year 2000; year 2000 approximates actual. This is more conservative than the estimates used in the three New York transactions of slightly less than 2% per year, but this is less than the volume adjustment of 3% that Standard & Poor's originally proposed.

(4) Prescribed by the MSA: VA = ABP -(ABP *.98* (1-actual volume/base volume)).

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SCHEDULE 4: ESTIMATED STRATEGIC SETTLEMENT PAYMENTS TO THE STATE OF KANSAS

Year	MSA Total Annual Payments (1)	Inflation Adjustment (2)	MSA Total Annual Payments with Inflation Adjustment	Volume Adjustment (3)	MSA Total Annual Payments with Inflation and Volume Adjustments (4)	Settling States Reduction Adjustment (1)	MSA Total Annual Payments with Inflation, Volume and Settling States Adjustments	Kansas Allocation Percentage (1)	Kansas Allocation of MSA Payments
	A	B	C	D	E	F	G	H	I
		Inflation assumed at 3% per annum	*Column A * B*	*Based on approximate 2.5% percent of decline after year 2000; year 2000 approximates actual*	*Column C -(Column C *.98* (1- Column D))*		*Column E *(1- Column F)*		*Column G * Column H (taken to Exhibit 1)*
1998	-	-	-	-	-	-	-	-	-
1999	-	-	-	-	-	-	-	-	-
2000	-	-	-	-	-	-	-	-	-
2001	-	-	-	-	-	-	-	-	-
2002	-	-	-	-	-	-	-	-	-
2003	-	-	-	-	-	-	-	-	-
2004	-	-	-	-	-	-	-	-	-
2005	-	-	-	-	-	-	-	-	-
2006	-	-	-	-	-	-	-	-	-
2007	-	-	-	-	-	-	-	-	-
2008	$861,000,000	1.3048	$1,123,432,800	0.731217	$827,512,354	0.122373756	$726,246,559	0.018502336	$13,437,258
2009	861,000,000	1.3439	1,157,097,900	0.712937	831,581,105	0.122373756	729,817,402	0.018502336	13,503,327
2010	861,000,000	1.3842	1,191,796,200	0.695114	835,701,463	0.122373756	733,433,536	0.018502336	13,570,234
2011	861,000,000	1.4257	1,227,527,700	0.677736	839,851,473	0.122373756	737,075,694	0.018502336	13,637,622
2012	861,000,000	1.4685	1,264,378,500	0.660792	844,068,944	0.122373756	740,777,057	0.018502336	13,706,106
2013	861,000,000	1.5126	1,302,348,600	0.644273	848,333,651	0.122373756	744,519,876	0.018502336	13,775,357
2014	861,000,000	1.5580	1,341,438,000	0.628166	852,621,588	0.122373756	748,283,082	0.018502336	13,844,985
2015	861,000,000	1.6047	1,381,646,700	0.612462	856,914,913	0.122373756	752,051,017	0.018502336	13,914,701
2016	861,000,000	1.6528	1,423,060,800	0.597150	861,246,358	0.122373756	755,852,406	0.018502336	13,985,035
2017	861,000,000	1.7024	1,465,766,400	0.582221	865,647,308	0.122373756	759,714,796	0.018502336	14,056,498
2018	-	-	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	-	-	-
2021	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-	-	-
2030	-	-	-	-	-	-	-	-	-
	$8,610,000,000		$12,878,493,600		$8,463,479,157		$7,427,771,425		$137,431,123

Notes:

(1) Prescribed by the MSA.

(2) The MSA prescribes the greater of the Consumer Price Index for the preceding year or 3%.

(3) The volume adjustment is approximately 2.5% per annum after year 2000; year 2000 approximates actual. This is more conservative than the estimates used in the three New York transactions of slightly less than 2% per year; but this is less than the volume adjustment of 3% that Standard & Poor's originally proposed.

(4) Prescribed by the MSA: VA = ABP -(ABP *.98* (1-actual volume/base volume)).

Taxable Securitization Debt Service Schedules

This analysis should be used for estimation purposes only. Assumptions made for this analysis are based on the best available information at the time of this analysis. No representation is made that these assumptions will prevail for the proposed transaction. Changes to these assumptions may have a material impact on the proposed transaction.

SCHEDULE 5: PROPOSED TAXABLE FINANCING - **Projected Debt Service Schedules**

Tobacco Settlement Revenue Bonds
Taxable Financing Projection
Securitizing 30 years of Tobacco Settlement Receipts (TSRs)

SOURCES & USES OF BOND PROCEEDS

Dated 08/01/2000 | Delivered 08/21/2000

SOURCES OF FUNDS		
Par Amount of Bonds	$467,150,000.00	
Accrued Interest from 08/01/2000 to 08/21/2000	2,461,094.58	
TOTAL SOURCES	$469,611,094.58	
USES OF FUNDS		
Costs of Issuance	4,671,500.00	
Accrued Interest Deposit to Debt Service Fund	2,461,094.58	
Deposit to Debt Service Reserve Fund (DSRF)	46,715,000.00	
Deposit to KEY Trust Fund	415,763,500.00	*Taken to Projection 2*
TOTAL USES	$469,611,094.58	

File = Taxable3.sf

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SCHEDULE 6: PROPOSED TAXABLE FINANCING - Projected Debt Service Schedules

Tobacco Settlement Revenue Bonds
Taxable Financing Projection
Securitizing 30 years of Tobacco Settlement Receipts (TSRs)

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total P+I
6/01/2001	$3,770,000	8.100%	$36,916,419	$40,686,419
6/01/2002	4,970,000	8.350%	43,994,333	48,964,333
6/01/2003	5,615,000	8.550%	43,579,338	49,194,338
6/01/2004	0	-	43,099,255	43,099,255
6/01/2005	195,000	8.700%	43,099,255	43,294,255
6/01/2006	415,000	8.750%	43,082,290	43,497,290
6/01/2007	655,000	8.800%	43,045,978	43,700,978
6/01/2008	11,695,000	8.850%	42,988,338	54,683,338
6/01/2009	12,985,000	8.900%	41,953,330	54,938,330
6/01/2010	14,400,000	8.950%	40,797,665	55,197,665
6/01/2011	15,955,000	9.050%	39,508,865	55,463,865
6/01/2012	17,665,000	9.150%	38,064,938	55,729,938
6/01/2013	19,550,000	9.250%	36,448,590	55,998,590
6/01/2014	21,630,000	9.300%	34,640,215	56,270,215
6/01/2015	23,910,000	9.400%	32,628,625	56,538,625
6/01/2016	26,435,000	9.450%	30,381,085	56,816,085
6/01/2017	29,210,000	9.550%	27,882,978	57,092,978
6/01/2018	27,190,000	9.600%	25,093,423	52,283,423
6/01/2019	30,055,000	9.650%	22,483,183	52,538,183
6/01/2020	33,215,000	9.750%	19,582,875	52,797,875
6/01/2021	36,715,000	9.750%	16,344,413	53,059,413
6/01/2022	40,560,000	9.750%	12,764,700	53,324,700
6/01/2023	44,780,000	9.750%	8,810,100	53,590,100
6/01/2024	45,580,000	9.750%	4,444,050	50,024,050
	$467,150,000		$771,634,241	$1,238,784,241

YIELD STATISTICS

Accrued Interest from 08/01/2000 to 08/21/2000	2,461,094.58
Bond Year Dollars	$8,049,766.67
Average Life	17.232 Years
Average Coupon	9.5857963%
Net Interest Cost (NIC)	9.5857963%
True Interest Cost (TIC)	9.5486310%
Bond Yield for Arbitrage Purposes	9.5486310% (1)
All Inclusive Cost (AIC)	9.6735935%

Notes: *File = Taxable3.sf*

(1) Bond Yield is rounded to 9.5% and used in Projection 2.

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SCHEDULE 7: PROPOSED TAXABLE FINANCING - Projected Debt Service Schedules

Tobacco Settlement Revenue Bonds
Taxable Financing Projection
Securitizing 30 years of Tobacco Settlement Receipts (TSRs)

REVENUES APPLIED TO DEBT SERVICE

Date	Tobacco Settlement Receipts	Debt Service Reserve Cash Flows	Total Available Revenues	Scheduled Debt Service	Annual Residual Additions	
					(taken to Projection 2)	
6/01/2001	$52,481,363	$2,446,073	$54,927,436	$40,686,419	$16,702,112	(1)
6/01/2002	62,953,897	3,153,263	66,107,160	48,964,333	17,142,827	
6/01/2003	63,260,187	3,153,263	66,413,450	49,194,338	17,219,112	
6/01/2004	55,031,157	3,153,263	58,184,420	43,099,255	15,085,165	
6/01/2005	55,300,921	3,153,263	58,454,184	43,294,255	15,159,929	
6/01/2006	55,570,818	3,153,263	58,724,081	43,497,290	15,226,791	
6/01/2007	55,844,106	3,153,263	58,997,369	43,700,978	15,296,391	
6/01/2008	70,670,294	3,153,263	73,823,557	54,683,338	19,140,219	
6/01/2009	71,017,769	3,153,263	74,171,032	54,938,330	19,232,702	
6/01/2010	71,369,651	3,153,263	74,522,914	55,197,665	19,325,249	
6/01/2011	71,724,065	3,153,263	74,877,328	55,463,865	19,413,463	
6/01/2012	72,084,241	3,153,263	75,237,504	55,729,938	19,507,566	
6/01/2013	72,448,451	3,153,263	75,601,714	55,998,590	19,603,124	
6/01/2014	72,814,645	3,153,263	75,967,908	56,270,215	19,697,693	
6/01/2015	73,181,299	3,153,263	76,334,562	56,538,625	19,795,937	
6/01/2016	73,551,208	3,153,263	76,704,471	56,816,085	19,888,386	
6/01/2017	73,927,052	3,153,263	77,080,315	57,092,978	19,987,337	
6/01/2018	67,431,966	3,153,263	70,585,229	52,283,423	18,301,806	
6/01/2019	67,778,581	3,153,263	70,931,844	52,538,183	18,393,661	
6/01/2020	68,129,310	3,153,263	71,282,573	52,797,875	18,484,698	
6/01/2021	68,482,457	3,153,263	71,635,720	53,059,413	18,576,307	
6/01/2022	68,840,030	3,153,263	71,993,293	53,324,700	18,668,593	
6/01/2023	69,200,126	3,153,263	72,353,389	53,590,100	18,763,289	
6/01/2024	69,564,641	49,868,263	119,432,904	50,024,050	0	
Total	$1,602,658,235	$121,686,122	$1,724,344,357	$1,238,784,241	$418,612,357	

Notes:

(1) Interest earnings on the debt service reserve are calculated using a compound rate.

(2) This includes the Accrued Interest Deposit of $2,462,095.

SCHEDULE 8: **PROPOSED TAXABLE FINANCING - Projected Debt Service Schedules**

Tobacco Settlement Revenue Bonds
Taxable Financing Projection
Securitizing 30 years of Tobacco Settlement Receipts (TSRs)

DEBT SERVICE COVERAGE RATIO

Date	Total Revenues	Total D/S	Coverage
			(used in Projection 2)
6/01/2001	$54,927,436	$40,686,419	1.3500189x
6/01/2002	66,107,160	48,964,333	1.3501085x
6/01/2003	66,413,450	49,194,338	1.3500222x
6/01/2004	58,184,420	43,099,255	1.3500099x
6/01/2005	58,454,184	43,294,255	1.3501603x
6/01/2006	58,724,081	43,497,290	1.3500630x
6/01/2007	58,997,369	43,700,978	1.3500240x
6/01/2008	73,823,557	54,683,338	1.3500192x
6/01/2009	74,171,032	54,938,330	1.3500780x
6/01/2010	74,522,914	55,197,665	1.3501099x
6/01/2011	74,877,328	55,463,865	1.3500200x
6/01/2012	75,237,504	55,729,938	1.3500375x
6/01/2013	75,601,714	55,998,590	1.3500646x
6/01/2014	75,967,908	56,270,215	1.3500554x
6/01/2015	76,334,562	56,538,625	1.3501312x
6/01/2016	76,704,471	56,816,085	1.3500485x
6/01/2017	77,080,315	57,092,978	1.3500840x
6/01/2018	70,585,229	52,283,423	1.3500499x
6/01/2019	70,931,844	52,538,183	1.3501008x
6/01/2020	71,282,573	52,797,875	1.3501031x
6/01/2021	71,635,720	53,059,413	1.3501039x
6/01/2022	71,993,293	53,324,700	1.3500928x
6/01/2023	72,353,389	53,590,100	1.3501260x
6/01/2024	72,717,904	50,024,050	1.4536589x
Total	$1,677,629,357	$1,238,784,241	

File = Taxable3.sf

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Taxable Securitization Investment Income Sensitivity Analysis Detail

This analysis should be used for estimation purposes only. Assumptions made for this analysis are based on the best available information at the time of this analysis. No representation is made that these assumptions will prevail for the proposed transaction. Changes to these assumptions may have a material impact on the proposed transaction.

18-24

SCHEDULE 9: TAXABLE SECURITIZATION - 0% Investment Rate Sensitivity Analysis

Net Bond Proceeds: $415,763,500 (1)

Date	Beginning Key Fund Balance	Annual Residual Additions (2) (from Schedule 7)	Investment Income on the KEY Fund (3)	Annual Expenditures (4)	Ending Key Fund Balance (6)	Present Value of Annual Residual Additions	Present Value of Investment Income	Present Value of Expenditures	Present Value Factor (7)
2000	$415,763,500				$415,763,500				
2001	415,763,500	$16,702,112	$0	$52,400,000 (5)	380,065,612	$15,253,070	$0	$47,853,881	1.095000
2002	380,065,612	17,142,827	0	50,000,000	347,208,439	14,297,306	0	41,700,548	1.199025
2003	347,208,439	17,219,112	0	45,000,000	319,427,551	13,115,003	0	34,274,423	1.312932
2004	319,427,551	15,085,165	0	46,100,000	288,412,716	10,492,853	0	32,065,975	1.437661
2005	288,412,716	15,159,929	0	47,300,000	256,272,645	9,630,006	0	30,046,269	1.574239
2006	256,272,645	15,226,791	0	48,500,000	222,999,436	8,833,314	0	28,135,655	1.723791
2007	222,999,436	15,296,391	0	49,700,000	188,595,827	8,103,827	0	26,330,406	1.887552
2008	188,595,827	19,140,219	0	50,900,000	156,836,046	9,260,490	0	24,626,621	2.066869
2009	156,836,046	19,232,702	0	52,200,000	123,868,748	8,497,932	0	23,064,467	2.263222
2010	123,868,748	19,325,249	0	53,500,000	89,693,997	7,798,012	0	21,588,009	2.478228
2011	89,693,997	19,413,463	0	54,800,000	54,307,460	7,153,980	0	20,194,135	2.713659
2012	54,307,460	19,507,566	0	56,200,000	17,615,026	6,564,984	0	18,913,281	2.971457
2013	17,615,026	19,603,124	0	57,600,000	(20,381,850)	6,024,788	0	17,702,677	3.253745
2014	(20,381,850)	19,697,693	0	59,000,000	(59,684,157)	5,528,632	0	16,559,772	3.562851
2015	(59,684,157)	19,795,937	0	60,500,000	(100,388,220)	5,074,161	0	15,507,564	3.901322
2016	(100,388,220)	19,888,386	0	62,000,000	(142,499,834)	4,655,578	0	14,513,287	4.271948
2017	(142,499,834)	19,987,337	0	63,600,000	(186,112,497)	4,272,823	0	13,596,186	4.677783
2018	(186,112,497)	18,301,806	0	65,200,000	(233,010,691)	3,573,056	0	12,728,975	5.122172
2019	(233,010,691)	18,393,661	0	66,800,000	(281,417,030)	3,279,442	0	11,909,902	5.608778
2020	(281,417,030)	18,484,698	0	68,500,000	(331,432,332)	3,009,747	0	11,153,423	6.141612
2021	(331,432,332)	18,576,307	0	70,200,000	(383,056,025)	2,762,249	0	10,438,560	6.725065
2022	(383,056,025)	18,668,593	0	71,900,000	(436,287,432)	2,535,134	0	9,763,786	7.363946
2023	(436,287,432)	18,763,289	0	73,700,000	(491,224,143)	2,326,935	0	9,139,927	8.063521
2024	(491,224,143)	69,564,641	0	75,500,000	(497,159,502)	7,878,612	0	8,550,826	8.829556
2025	(497,159,502)	69,931,744	0	77,400,000	(504,627,758)	7,233,049	0	8,005,491	9.668364
2026	(504,627,758)	70,303,128	0	79,300,000	(513,624,630)	6,640,603	0	7,490,419	10.586858
2027	(513,624,630)	70,677,045	0	81,200,000	(524,147,585)	6,096,733	0	7,004,462	11.592610
2028	(524,147,585)	71,054,929	0	83,200,000	(536,292,656)	5,597,562	0	6,554,325	12.693908
2029	(536,292,656)	71,438,040	0	85,200,000	(550,054,616)	5,139,491	0	6,129,572	13.899829
2030	(550,054,616)	71,824,601	0	87,300,000	(565,530,015)	4,718,996	0	5,735,756	15.220313
		$913,406,485	$0	$1,894,700,000		$205,348,368	$0	$541,278,580	

Notes:

(1) This represents the amount of bond proceeds that will be deposited in the KEY Fund after providing for costs of issuance and a debt service reserve. See Schedule 5.

(2) Except for the TSRs in the years 2024 - 2030, this column represents the annual excess of the TSR after debt service is made. The debt service coverage ratio is approximately 1.35. Thus, approximately 26% of the TSRs will not be used to pay debt service, and will flow directly to the KEY Fund. See Schedules 7 and 8.

(3) This column represents investment income of 0% annually on the sum of bond proceeds and residual additions.

(4) The annual expenditures (transfers to the Children's Initiative Fund and the State General Fund) are taken from the KEY Fund legislation: Chapter 172 of the 1999 Session Laws.

(5) This expenditure represents the remaining expenditures left to be paid from the 2001 TSR. Total budgeted expenditures through 2001 are $121.4 million ($20.7 plus $100.7), less the 1998 and 2000 TSRs of approximately $69 million, equals remaining expenditures of $52.4 million.

(6) At an investment rate of 0%, expenditures authorized by the 1999 Legislature would result in a gross deficit in the KEY Fund in year 2030. In reality, KDFA knows this would not occur, and that expenditures would be limited to the available income and annual residual additions. However, for purposes of preserving the integrity of the model, formulas were not manually adjusted to reflect the exhaustion of the fund.

Taxable Securitization:	Gross Value	Present Value
Initial Deposit to KEY Fund:	$415,763,500.0	$415,763,500.0
Annual Residual Additions:	913,406,485.0	205,348,368.0
Investment Income:	0.0	0.0
Less Expenditures:	(1,894,700,000.0)	(541,278,580.0)
KEY Fund Balance (*as of 6/01/2030*):	($565,530,015.0)	$79,833,288.0

Taken to Analyses 1 and 2

(7) A present value discount factor of 9.5% is assumed. This is the approximate anticipated rate of interest cost on the bonds. See schedule 6.

(8) The debt service reserve is invested at 6.75%. The investment income is used to pay a portion of the debt service. See Schedule 7.

18-25

SCHEDULE 10: TAXABLE SECURITIZATION - 6% Investment Rate Sensitivity Analysis

Net Bond Proceeds: $415,763,500 (1)

Date	Beginning Key Fund Balance	Annual Residual Additions (2) *(from Schedule 7)*	Investment Income on the KEY Fund (3)	Annual Expenditures (4)	Ending Key Fund Balance (6)	Present Value of Annual Residual Additions	Present Value of Investment Income	Present Value of Expenditures	Present Value Factor (7)
2000	$415,763,500				$415,763,500				
2001	415,763,500	$16,702,112	$24,945,810	$52,400,000 (5)	405,011,422	$15,253,070	$22,781,562	$47,853,881	1.095000
2002	405,011,422	17,142,827	24,300,685	50,000,000	396,454,934	14,297,306	20,267,038	41,700,548	1.199025
2003	396,454,934	17,219,112	23,787,296	45,000,000	392,461,342	13,115,003	18,117,686	34,274,423	1.312932
2004	392,461,342	15,085,165	23,547,681	46,100,000	384,994,188	10,492,853	16,379,162	32,065,975	1.437661
2005	384,994,188	15,159,929	23,099,651	47,300,000	375,953,768	9,630,006	14,673,537	30,046,269	1.574239
2006	375,953,768	15,226,791	22,557,226	48,500,000	365,237,785	8,833,314	13,085,821	28,135,655	1.723791
2007	365,237,785	15,296,391	21,914,267	49,700,000	352,748,443	8,103,827	11,609,890	26,330,406	1.887552
2008	352,748,443	19,140,219	21,164,907	50,900,000	342,153,569	9,260,490	10,240,081	24,626,621	2.066869
2009	342,153,569	19,232,702	20,529,214	52,200,000	329,715,485	8,497,932	9,070,793	23,064,467	2.263222
2010	329,715,485	19,325,249	19,782,929	53,500,000	315,323,663	7,798,012	7,982,693	21,588,009	2.478228
2011	315,323,663	19,413,463	18,919,420	54,800,000	298,856,546	7,153,980	6,971,922	20,194,135	2.713659
2012	298,856,546	19,507,566	17,931,393	56,200,000	280,095,505	6,564,984	6,034,546	18,913,281	2.971457
2013	280,095,505	19,603,124	16,805,730	57,600,000	258,904,359	6,024,788	5,165,042	17,702,677	3.253745
2014	258,904,359	19,697,693	15,534,262	59,000,000	235,136,314	5,528,632	4,360,065	16,559,772	3.562851
2015	235,136,314	19,795,937	14,108,179	60,500,000	208,540,430	5,074,161	3,616,256	15,507,564	3.901322
2016	208,540,430	19,888,386	12,512,426	62,000,000	178,941,242	4,655,578	2,928,975	14,513,287	4.271948
2017	178,941,242	19,987,337	10,736,475	63,600,000	146,065,054	4,272,823	2,295,206	13,596,186	4.677783
2018	146,065,054	18,301,806	8,763,903	65,200,000	107,930,763	3,573,056	1,710,974	12,728,975	5.122172
2019	107,930,763	18,393,661	6,475,846	66,800,000	66,000,270	3,279,442	1,154,591	11,909,902	5.608778
2020	66,000,270	18,484,698	3,960,016	68,500,000	19,944,984	3,009,747	644,784	11,153,423	6.141612
2021	19,944,984	18,576,307	1,196,699	70,200,000	(30,482,010)	2,762,249	177,946	10,438,560	6.725065
2022	(30,482,010)	18,668,593		71,900,000	(83,713,417)	2,535,134	0	9,763,786	7.363946
2023	(83,713,417)	18,763,289		73,700,000	(138,650,128)	2,326,935	0	9,139,927	8.063521
2024	(138,650,128)	69,564,641		75,500,000	(144,585,487)	7,878,612	0	8,550,826	8.829556
2025	(144,585,487)	69,931,744		77,400,000	(152,053,743)	7,233,049	0	8,005,491	9.668364
2026	(152,053,743)	70,303,128		79,300,000	(161,050,615)	6,640,603	0	7,490,419	10.586858
2027	(161,050,615)	70,677,045		81,200,000	(171,573,570)	6,096,733	0	7,004,462	11.592610
2028	(171,573,570)	71,054,929		83,200,000	(183,718,641)	5,597,562	0	6,554,325	12.693908
2029	(183,718,641)	71,438,040		85,200,000	(197,480,601)	5,139,491	0	6,129,572	13.899829
2030	(197,480,601)	71,824,601		87,300,000	(212,956,000)	4,718,996	0	5,735,756	15.220313
		$913,406,485	$352,574,015	$1,894,700,000		$205,348,368	$179,268,570	$541,278,580	

Notes:

(1) This represents the amount of bond proceeds that will be deposited in the KEY Fund after providing for costs of issuance and a debt service reserve. See Schedule 5.

(2) Except for the TSRs in the years 2024 - 2030, this column represents the annual excess of the TSR after debt service is made. The debt service coverage ratio is approximately 1.35. Thus, approximately 26% of the TSRs will not be used to pay debt service, and will flow directly to the KEY Fund. See Schedules 7 and 8.

(3) This column represents investment income of 6% annually on the sum of bond proceeds and residual additions.

(4) The annual expenditures (transfers to the Children's Initiative Fund and the State General Fund) are taken from the KEY Fund legislation: Chapter 172 of the 1999 Session Laws.

(5) This expenditure represents the remaining expenditures left to be paid from the 2001 TSR. Total budgeted expenditures through 2001 are $121.4 million ($20.7 plus $100.7), less the 1998 and 2000 TSRs of approximately $69 million, equals remaining expenditures of $52.4 million.

(6) At an investment rate of 6%, expenditures authorized by the 1999 Legislature would result in a gross deficit in the KEY Fund in year 2030. In reality, KDFA knows this would not occur, and that expenditures would be limited to the available income and annual residual additions. However, for purposes of preserving the integrity of the model, formulas were not manually adjusted to reflect the exhaustion of the fund.

Taxable Securitization:	Gross Value	Present Value
Initial Deposit to KEY Fund:	$415,763,500.0	$415,763,500.0
Annual Residual Additions:	913,406,485.0	205,348,368.0
Investment Income:	352,574,015.0	179,268,570.0
Less Expenditures:	(1,894,700,000.0)	(541,278,580.0)
KEY Fund Balance (*as of 6/01/2030*):	($212,956,000.0)	$259,101,858.0

Taken to Analyses 1 and 2

(7) A present value discount factor of 9.5% is assumed. This is the approximate anticipated rate of interest cost on the bonds. See schedule 6.

(8) The debt service reserve is invested at 6.75%. The investment income is used to pay a portion of the debt service. See Schedule 7.

SCHEDULE 11: TAXABLE SECURITIZATION - 7% Investment Rate Sensitivity Analysis

Net Bond Proceeds: $415,763,500 (1)

Date	Beginning Key Fund Balance	Annual Residual Additions (2) *(from Schedule 7)*	Investment Income on the KEY Fund (3)	Annual Expenditures (4)	Ending Key Fund Balance (6)	Present Value of Annual Residual Additions	Present Value of Investment Income	Present Value of Expenditures	Present Value Factor (7)
2000	$415,763,500				$415,763,500				
2001	415,763,500	$16,702,112	$29,103,445	$52,400,000 (5)	409,169,057	$15,253,070	$26,578,489	$47,853,881	1.095000
2002	409,169,057	17,142,827	28,641,834	50,000,000	404,953,718	14,297,306	23,887,604	41,700,548	1.199025
2003	404,953,718	17,219,112	28,346,760	45,000,000	405,519,590	13,115,003	21,590,419	34,274,423	1.312932
2004	405,519,590	15,085,165	28,386,371	46,100,000	402,891,126	10,492,853	19,744,830	32,065,975	1.437661
2005	402,891,126	15,159,929	28,202,379	47,300,000	398,953,434	9,630,006	17,914,931	30,046,269	1.574239
2006	398,953,434	15,226,791	27,926,740	48,500,000	393,606,965	8,833,314	16,200,765	28,135,655	1.723791
2007	393,606,965	15,296,391	27,552,488	49,700,000	386,755,844	8,103,827	14,596,946	26,330,406	1.887552
2008	386,755,844	19,140,219	27,072,909	50,900,000	382,068,972	9,260,490	13,098,512	24,626,621	2.066869
2009	382,068,972	19,232,702	26,744,828	52,200,000	375,846,502	8,497,932	11,817,150	23,064,467	2.263222
2010	375,846,502	19,325,249	26,309,255	53,500,000	367,981,006	7,798,012	10,616,158	21,588,009	2.478228
2011	367,981,006	19,413,463	25,758,670	54,800,000	358,353,139	7,153,980	9,492,227	20,194,135	2.713659
2012	358,353,139	19,507,566	25,084,720	56,200,000	346,745,425	6,564,984	8,441,893	18,913,281	2.971457
2013	346,745,425	19,603,124	24,272,180	57,600,000	333,020,729	6,024,788	7,459,767	17,702,677	3.253745
2014	333,020,729	19,697,693	23,311,451	59,000,000	317,029,873	5,528,632	6,542,920	16,559,772	3.562851
2015	317,029,873	19,795,937	22,192,091	60,500,000	298,517,901	5,074,161	5,688,352	15,507,564	3.901322
2016	298,517,901	19,888,386	20,896,253	62,000,000	277,302,540	4,655,578	4,891,505	14,513,287	4.271948
2017	277,302,540	19,987,337	19,411,178	63,600,000	253,101,055	4,272,823	4,149,654	13,596,186	4.677783
2018	253,101,055	18,301,806	17,717,074	65,200,000	223,919,935	3,573,056	3,458,899	12,728,975	5.122172
2019	223,919,935	18,393,661	15,674,395	66,800,000	191,187,991	3,279,442	2,794,618	11,909,902	5.608778
2020	191,187,991	18,484,698	13,383,159	68,500,000	154,555,848	3,009,747	2,179,095	11,153,423	6.141612
2021	154,555,848	18,576,307	10,818,909	70,200,000	113,751,064	2,762,249	1,608,744	10,438,560	6.725065
2022	113,751,064	18,668,593	7,962,574	71,900,000	68,482,231	2,535,134	1,081,292	9,763,786	7.363946
2023	68,482,231	18,763,289	4,793,756	73,700,000	18,339,276	2,326,935	594,499	9,139,927	8.063521
2024	18,339,276	69,564,641	1,283,749	75,500,000	13,687,666	7,878,612	145,392	8,550,826	8.829556
2025	13,687,666	69,931,744	958,137	77,400,000	7,177,547	7,233,049	99,100	8,005,491	9.668364
2026	7,177,547	70,303,128	502,428	79,300,000	(1,316,897)	6,640,603	47,458	7,490,419	10.586858
2027	(1,316,897)	70,677,045		81,200,000	(11,839,852)	6,096,733	0	7,004,462	11.592610
2028	(11,839,852)	71,054,929		83,200,000	(23,984,923)	5,597,562	0	6,554,325	12.693908
2029	(23,984,923)	71,438,040		85,200,000	(37,746,883)	5,139,491	0	6,129,572	13.899829
2030	(37,746,883)	71,824,601		87,300,000	(53,222,282)	4,718,996	0	5,735,756	15.220313
		$913,406,485	$512,307,733	$1,894,700,000		$205,348,368	$234,721,219	$541,278,580	

Notes:

(1) This represents the amount of bond proceeds that will be deposited in the KEY Fund after providing for costs of issuance and a debt service reserve. See Schedule 5.

(2) Except for the TSRs in the years 2024 - 2030, this column represents the annual excess of the TSR after debt service is made. The debt service coverage ratio is approximately 1.35. Thus, approximately 26% of the TSRs will not be used to pay debt service, and will flow directly to the KEY Fund. See Schedules 7 and 8.

(3) This column represents investment income of 7% annually on the sum of bond proceeds and residual additions.

(4) The annual expenditures (transfers to the Children's Initiative Fund and the State General Fund) are taken from the KEY Fund legislation: Chapter 172 of the 1999 Session Laws.

(5) This expenditure represents the remaining expenditures left to be paid from the 2001 TSR.
Total budgeted expenditures through 2001 are $121.4 million ($20.7 plus $100.7), less the 1998 and 2000 TSRs of approximately $69 million, equals remaining expenditures of $52.4 million.

(6) At an investment rate of 7%, expenditures authorized by the 1999 Legislature would result in a gross deficit in the KEY Fund in year 2030. In reality, KDFA knows this would not occur, and that expenditures would be limited to the available income and annual residual additions. However, for purposes of preserving the integrity of the model, formulas were not manually adjusted to reflect the exhaustion of the fund.

Taxable Securitization:	Gross Value	Present Value
Initial Deposit to KEY Fund:	$415,763,500.0	$415,763,500.0
Annual Residual Additions:	913,406,485.0	205,348,368.0
Investment Income:	512,307,733.0	234,721,219.0
Less Expenditures:	(1,894,700,000.0)	(541,278,580.0)
KEY Fund Balance (*as of 6/01/2030*):	($53,222,282.0)	$314,554,507.0

Taken to Analyses 1 and 2

(7) A present value discount factor of 9.5% is assumed. This is the approximate anticipated rate of interest cost on the bonds. See schedule 6.

(8) The debt service reserve is invested at 6.75%. The investment income is used to pay a portion of the debt service. See Schedule 7.

18-27

SCHEDULE 12: TAXABLE SECURITIZATION - 8% Investment Rate Sensitivity Analysis

Net Bond Proceeds: $415,763,500 (1)

Date	Beginning Key Fund Balance	Annual Residual Additions (2) *(from Schedule 7)*	Investment Income on the KEY Fund (3)	Annual Expenditures (4)	Ending Key Fund Balance	Present Value of Annual Residual Additions	Present Value of Investment Income	Present Value of Expenditures	Present Value Factor (6)
2000	$415,763,500				$415,763,500				
2001	415,763,500	$16,702,112	$33,261,080	$52,400,000 (5)	413,326,692	$15,253,070	$30,375,416	$47,853,881	1.095000
2002	413,326,692	17,142,827	33,066,135	50,000,000	413,535,654	14,297,306	27,577,519	41,700,548	1.199025
2003	413,535,654	17,219,112	33,082,852	45,000,000	418,837,618	13,115,003	25,197,682	34,274,423	1.312932
2004	418,837,618	15,085,165	33,507,009	46,100,000	421,329,792	10,492,853	23,306,614	32,065,975	1.437661
2005	421,329,792	15,159,929	33,706,383	47,300,000	422,896,104	9,630,006	21,411,227	30,046,269	1.574239
2006	422,896,104	15,226,791	33,831,688	48,500,000	423,454,583	8,833,314	19,626,323	28,135,655	1.723791
2007	423,454,583	15,296,391	33,876,367	49,700,000	422,927,341	8,103,827	17,947,253	26,330,406	1.887552
2008	422,927,341	19,140,219	33,834,187	50,900,000	425,001,747	9,260,490	16,369,778	24,626,621	2.066869
2009	425,001,747	19,232,702	34,000,140	52,200,000	426,034,589	8,497,932	15,022,895	23,064,467	2.263222
2010	426,034,589	19,325,249	34,082,767	53,500,000	425,942,605	7,798,012	13,752,880	21,588,009	2.478228
2011	425,942,605	19,413,463	34,075,408	54,800,000	424,631,476	7,153,980	12,556,996	20,194,135	2.713659
2012	424,631,476	19,507,566	33,970,518	56,200,000	421,909,560	6,564,984	11,432,277	18,913,281	2.971457
2013	421,909,560	19,603,124	33,752,765	57,600,000	417,665,449	6,024,788	10,373,512	17,702,677	3.253745
2014	417,665,449	19,697,693	33,413,236	59,000,000	411,776,378	5,528,632	9,378,230	16,559,772	3.562851
2015	411,776,378	19,795,937	32,942,110	60,500,000	404,014,425	5,074,161	8,443,833	15,507,564	3.901322
2016	404,014,425	19,888,386	32,321,154	62,000,000	394,223,965	4,655,578	7,565,906	14,513,287	4.271948
2017	394,223,965	19,987,337	31,537,917	63,600,000	382,149,219	4,272,823	6,742,066	13,596,186	4.677783
2018	382,149,219	18,301,806	30,571,938	65,200,000	365,822,963	3,573,056	5,968,550	12,728,975	5.122172
2019	365,822,963	18,393,661	29,265,837	66,800,000	346,682,461	3,279,442	5,217,863	11,909,902	5.608778
2020	346,682,461	18,484,698	27,734,597	68,500,000	324,401,756	3,009,747	4,515,850	11,153,423	6.141612
2021	324,401,756	18,576,307	25,952,140	70,200,000	298,730,203	2,762,249	3,859,017	10,438,560	6.725065
2022	298,730,203	18,668,593	23,898,416	71,900,000	269,397,212	2,535,134	3,245,327	9,763,786	7.363946
2023	269,397,212	18,763,289	21,551,777	73,700,000	236,012,278	2,326,935	2,672,750	9,139,927	8.063521
2024	236,012,278	69,564,641	18,880,982	75,500,000	248,957,901	7,878,612	2,138,384	8,550,826	8.829556
2025	248,957,901	69,931,744	19,916,632	77,400,000	261,406,277	7,233,049	2,059,980	8,005,491	9.668364
2026	261,406,277	70,303,128	20,912,502	79,300,000	273,321,907	6,640,603	1,975,327	7,490,419	10.586858
2027	273,321,907	70,677,045	21,865,753	81,200,000	284,664,705	6,096,733	1,886,180	7,004,462	11.592610
2028	284,664,705	71,054,929	22,773,176	83,200,000	295,292,810	5,597,562	1,794,024	6,554,325	12.693908
2029	295,292,810	71,438,040	23,623,425	85,200,000	305,154,275	5,139,491	1,699,548	6,129,572	13.899829
2030	305,154,275	71,824,601	24,412,342	87,300,000	314,091,218	4,718,996	1,603,932	5,735,756	15.220313
		$913,406,485	$879,621,233	$1,894,700,000		$205,348,368	$315,717,139	$541,278,580	

Notes:

(1) This represents the amount of bond proceeds that will be deposited in the KEY Fund after providing for costs of issuance and a debt service reserve. See Schedule 5.

(2) Except for the TSRs in the years 2024 - 2030, this column represents the annual excess of the TSR after debt service is made. The debt service coverage ratio is approximately 1.35. Thus, approximately 26% of the TSRs will not be used to pay debt service, and will flow directly to the KEY Fund. See Schedules 7 and 8.

(3) This column represents investment income of 8% annually on the sum of bond proceeds and residual additions.

(4) The annual expenditures (transfers to the Children's Initiative Fund and the State General Fund) are taken from the KEY Fund legislation: Chapter 172 of the 1999 Session Laws.

(5) This expenditure represents the remaining expenditures left to be paid from the 2001 TSR. Total budgeted expenditures through 2001 are $121.4 million ($20.7 plus $100.7), less the 1998 and 2000 TSRs of approximately $69 million, equals remaining expenditures of $52.4 million.

(6) A present value discount factor of 9.5% is assumed. This is the approximate anticipated rate of interest cost on the bonds. See schedule 6.

(7) The debt service reserve is invested at 6.75%. The investment income is used to pay a portion of the debt service payment. See Schedule 7.

Taxable Securitization:	Gross Value	Present Value
Initial Deposit to KEY Fund:	$415,763,500.0	$415,763,500.0
Annual Residual Additions:	913,406,485.0	205,348,368.0
Investment Income:	879,621,233.0	315,717,139.0
Less Expenditures:	(1,894,700,000.0)	(541,278,580.0)
KEY Fund Balance (*as of 6/01/2030*):	$314,091,218.0	$395,550,427.0

Taken to Analyses 1 and 2

18-28

SCHEDULE 13: TAXABLE SECURITIZATION - 9% Investment Rate Sensitivity Analysis

Net Bond Proceeds: $415,763,500 (1)

Date	Beginning Key Fund Balance	Annual Residual Additions (2) *(from Schedule 7)*	Investment Income on the KEY Fund (3)	Annual Expenditures (4)	Ending Key Fund Balance	Present Value of Annual Residual Additions	Present Value of Investment Income	Present Value of Expenditures	Present Value Factor (6)
2000	$415,763,500				$415,763,500				
2001	415,763,500	$16,702,112	$37,418,715	$52,400,000 (5)	417,484,327	$15,253,070	$34,172,342	$47,853,881	1.095000
2002	417,484,327	17,142,827	37,573,589	50,000,000	422,200,743	14,297,306	31,336,785	41,700,548	1.199025
2003	422,200,743	17,219,112	37,998,067	45,000,000	432,417,922	13,115,003	28,941,374	34,274,423	1.312932
2004	432,417,922	15,085,165	38,917,613	46,100,000	440,320,700	10,492,853	27,070,091	32,065,975	1.437661
2005	440,320,700	15,159,929	39,628,863	47,300,000	447,809,492	9,630,006	25,173,350	30,046,269	1.574239
2006	447,809,492	15,226,791	40,302,854	48,500,000	454,839,137	8,833,314	23,380,354	28,135,655	1.723791
2007	454,839,137	15,296,391	40,935,522	49,700,000	461,371,050	8,103,827	21,687,101	26,330,406	1.887552
2008	461,371,050	19,140,219	41,523,395	50,900,000	471,134,664	9,260,490	20,089,998	24,626,621	2.066869
2009	471,134,664	19,232,702	42,402,120	52,200,000	480,569,486	8,497,932	18,735,293	23,064,467	2.263222
2010	480,569,486	19,325,249	43,251,254	53,500,000	489,645,989	7,798,012	17,452,495	21,588,009	2.478228
2011	489,645,989	19,413,463	44,068,139	54,800,000	498,327,591	7,153,980	16,239,378	20,194,135	2.713659
2012	498,327,591	19,507,566	44,849,483	56,200,000	506,484,640	6,564,984	15,093,432	18,913,281	2.971457
2013	506,484,640	19,603,124	45,583,618	57,600,000	514,071,382	6,024,788	14,009,584	17,702,677	3.253745
2014	514,071,382	19,697,693	46,266,424	59,000,000	521,035,499	5,528,632	12,985,787	16,559,772	3.562851
2015	521,035,499	19,795,937	46,893,195	60,500,000	527,224,631	5,074,161	12,019,822	15,507,564	3.901322
2016	527,224,631	19,888,386	47,450,217	62,000,000	532,563,234	4,655,578	11,107,397	14,513,287	4.271948
2017	532,563,234	19,987,337	47,930,691	63,600,000	536,881,262	4,272,823	10,246,456	13,596,186	4.677783
2018	536,881,262	18,301,806	48,319,314	65,200,000	538,302,382	3,573,056	9,433,364	12,728,975	5.122172
2019	538,302,382	18,393,661	48,447,214	66,800,000	538,343,257	3,279,442	8,637,748	11,909,902	5.608778
2020	538,343,257	18,484,698	48,450,893	68,500,000	536,778,848	3,009,747	7,888,954	11,153,423	6.141612
2021	536,778,848	18,576,307	48,310,096	70,200,000	533,465,251	2,762,249	7,183,588	10,438,560	6.725065
2022	533,465,251	18,668,593	48,011,873	71,900,000	528,245,717	2,535,134	6,519,856	9,763,786	7.363946
2023	528,245,717	18,763,289	47,542,115	73,700,000	520,851,121	2,326,935	5,895,950	9,139,927	8.063521
2024	520,851,121	69,564,641	46,876,601	75,500,000	561,792,363	7,878,612	5,309,055	8,550,826	8.829556
2025	561,792,363	69,931,744	50,561,313	77,400,000	604,885,420	7,233,049	5,229,563	8,005,491	9.668364
2026	604,885,420	70,303,128	54,439,688	79,300,000	650,328,236	6,640,603	5,142,195	7,490,419	10.586858
2027	650,328,236	70,677,045	58,529,541	81,200,000	698,334,822	6,096,733	5,048,867	7,004,462	11.592610
2028	698,334,822	71,054,929	62,850,134	83,200,000	749,039,885	5,597,562	4,951,205	6,554,325	12.693908
2029	749,039,885	71,438,040	67,413,590	85,200,000	802,691,515	5,139,491	4,849,958	6,129,572	13.899829
2030	802,691,515	71,824,601	72,242,236	87,300,000	859,458,352	4,718,996	4,746,436	5,735,756	15.220313
		$913,406,485	$1,424,988,367	$1,894,700,000		$205,348,368	$420,577,778	$541,278,580	

Notes:

(1) This represents the amount of bond proceeds that will be deposited in the KEY Fund after providing for costs of issuance and a debt service reserve. See Schedule 5.

(2) Except for the TSRs in the years 2024 - 2030, this column represents the annual excess of the TSR after debt service is made. The debt service coverage ratio is approximately 1.35. Thus, approximately 26% of the TSRs will not be used to pay debt service, and will flow directly to the KEY Fund. See Schedules 7 and 8.

(3) This column represents investment income of 9% annually on the sum of bond proceeds and residual additions.

(4) The annual expenditures (transfers to the Children's Initiative Fund and the State General Fund) are taken from the KEY Fund legislation: Chapter 172 of the 1999 Session Laws.

(5) This expenditure represents the remaining expenditures left to be paid from the 2001 TSR. Total budgeted expenditures through 2001 are $121.4 million ($20.7 plus $100.7), less the 1998 and 2000 TSRs of approximately $69 million, equals remaining expenditures of $52.4 million.

(6) A present value discount factor of 9.5% is assumed. This is the approximate anticipated rate of interest cost on the bonds. See schedule 6.

(7) The debt service reserve is invested at 6.75%. The investment income is used to pay a portion of the debt service payment. See Schedule 7.

Taxable Securitization:	Gross Value	Present Value
Initial Deposit to KEY Fund:	$415,763,500.0	$415,763,500.0
Annual Residual Additions:	913,406,485.0	205,348,368.0
Investment Income:	1,424,988,367.0	420,577,778.0
Less Expenditures:	(1,894,700,000.0)	(541,278,580.0)
KEY Fund Balance (*as of 6/01/2030*):	$859,458,352.0	$500,411,066.0

Taken to Analyses 1 and 2

18-29

SCHEDULE 14: TAXABLE SECURITIZATION - 11% Investment Rate Sensitivity Analysis

Net Bond Proceeds: $415,763,500 (1)

Date	Beginning Key Fund Balance	Annual Residual Additions (2) *(from Schedule 7)*	Investment Income on the KEY Fund (3)	Annual Expenditures (4)	Ending Key Fund Balance	Present Value of Annual Residual Additions	Present Value of Investment Income	Present Value of Expenditures	Present Value Factor (6)
2000	$415,763,500				$415,763,500				
2001	415,763,500	$16,702,112	$45,733,985	$52,400,000 (5)	425,799,597	$15,253,070	$41,766,196	$47,853,881	1.095000
2002	425,799,597	17,142,827	46,837,956	50,000,000	439,780,380	14,297,306	39,063,369	41,700,548	1.199025
2003	439,780,380	17,219,112	48,375,842	45,000,000	460,375,334	13,115,003	36,845,646	34,274,423	1.312932
2004	460,375,334	15,085,165	50,641,287	46,100,000	480,001,786	10,492,853	35,224,777	32,065,975	1.437661
2005	480,001,786	15,159,929	52,800,196	47,300,000	500,661,911	9,630,006	33,540,145	30,046,269	1.574239
2006	500,661,911	15,226,791	55,072,810	48,500,000	522,461,512	8,833,314	31,948,651	28,135,655	1.723791
2007	522,461,512	15,296,391	57,470,766	49,700,000	545,528,669	8,103,827	30,447,255	26,330,406	1.887552
2008	545,528,669	19,140,219	60,008,154	50,900,000	573,777,042	9,260,490	29,033,361	24,626,621	2.066869
2009	573,777,042	19,232,702	63,115,475	52,200,000	603,925,219	8,497,932	27,887,449	23,064,467	2.263222
2010	603,925,219	19,325,249	66,431,774	53,500,000	636,182,242	7,798,012	26,806,163	21,588,009	2.478228
2011	636,182,242	19,413,463	69,980,047	54,800,000	670,775,752	7,153,980	25,788,075	20,194,135	2.713659
2012	670,775,752	19,507,566	73,785,333	56,200,000	707,868,651	6,564,984	24,831,366	18,913,281	2.971457
2013	707,868,651	19,603,124	77,865,552	57,600,000	747,737,327	6,024,788	23,931,053	17,702,677	3.253745
2014	747,737,327	19,697,693	82,251,106	59,000,000	790,686,126	5,528,632	23,085,755	16,559,772	3.562851
2015	790,686,126	19,795,937	86,975,474	60,500,000	836,957,537	5,074,161	22,293,847	15,507,564	3.901322
2016	836,957,537	19,888,386	92,065,329	62,000,000	886,911,252	4,655,578	21,551,138	14,513,287	4.271948
2017	886,911,252	19,987,337	97,560,238	63,600,000	940,858,827	4,272,823	20,856,087	13,596,186	4.677783
2018	940,858,827	18,301,806	103,494,471	65,200,000	997,455,104	3,573,056	20,205,193	12,728,975	5.122172
2019	997,455,104	18,393,661	109,720,061	66,800,000	1,058,768,826	3,279,442	19,562,204	11,909,902	5.608778
2020	1,058,768,826	18,484,698	116,464,571	68,500,000	1,125,218,095	3,009,747	18,963,192	11,153,423	6.141612
2021	1,125,218,095	18,576,307	123,773,990	70,200,000	1,197,368,392	2,762,249	18,404,876	10,438,560	6.725065
2022	1,197,368,392	18,668,593	131,710,523	71,900,000	1,275,847,508	2,535,134	17,885,861	9,763,786	7.363946
2023	1,275,847,508	18,763,289	140,343,226	73,700,000	1,361,254,023	2,326,935	17,404,707	9,139,927	8.063521
2024	1,361,254,023	69,564,641	149,737,943	75,500,000	1,505,056,607	7,878,612	16,958,717	8,550,826	8.829556
2025	1,505,056,607	69,931,744	165,556,227	77,400,000	1,663,144,578	7,233,049	17,123,500	8,005,491	9.668364
2026	1,663,144,578	70,303,128	182,945,904	79,300,000	1,837,093,610	6,640,603	17,280,472	7,490,419	10.586858
2027	1,837,093,610	70,677,045	202,080,297	81,200,000	2,028,650,952	6,096,733	17,431,821	7,004,462	11.592610
2028	2,028,650,952	71,054,929	223,151,605	83,200,000	2,239,657,486	5,597,562	17,579,425	6,554,325	12.693908
2029	2,239,657,486	71,438,040	246,362,323	85,200,000	2,472,257,849	5,139,491	17,724,126	6,129,572	13.899829
2030	2,472,257,849	71,824,601	271,948,363	87,300,000	2,728,730,813	4,718,996	17,867,462	5,735,756	15.220313
		$913,406,485	$3,294,260,828	$1,894,700,000		$205,348,368	$729,291,889	$541,278,580	

Taxable Securitization:	Gross Value	Present Value
Initial Deposit to KEY Fund:	$415,763,500.0	$415,763,500.0
Annual Residual Additions:	913,406,485.0	205,348,368.0
Investment Income:	3,294,260,828.0	729,291,889.0
Less Expenditures:	(1,894,700,000.0)	(541,278,580.0)
KEY Fund Balance (*as of 6/01/2030*):	$2,728,730,813.0	$809,125,177.0

Taken to Analyses 1 and 2

Notes:

(1) This represents the amount of bond proceeds that will be deposited in the KEY Fund after providing for costs of issuance and a debt service reserve. See Schedule 5.

(2) Except for the TSRs in the years 2024 - 2030, this column represents the annual excess of the TSR after debt service is made. The debt service coverage ratio is approximately 1.35. Thus, approximately 26% of the TSRs will not be used to pay debt service, and will flow directly to the KEY Fund. See Schedules 7 and 8.

(3) This column represents investment income of 11% annually on the sum of bond proceeds and residual additions.

(4) The annual expenditures (transfers to the Children's Initiative Fund and the State General Fund) are taken from the KEY Fund legislation: Chapter 172 of the 1999 Session Laws.

(5) This expenditure represents the remaining expenditures left to be paid from the 2001 TSR. Total budgeted expenditures through 2001 are $121.4 million ($20.7 plus $100.7), less the 1998 and 2000 TSRs of approximately $69 million, equals remaining expenditures of $52.4 million.

(6) A present value discount factor of 9.5% is assumed. This is the approximate anticipated rate of interest cost on the bonds. See schedule 6.

(7) The debt service reserve is invested at 6.75%. The investment income is used to pay a portion of the debt service payment. See Schedule 7.

18-30

SCHEDULE 15: TAXABLE SECURITIZATION - 12% Investment Rate Sensitivity Analysis

Net Bond Proceeds: $415,763,500 (1)

Date	Beginning Key Fund Balance	Annual Residual Additions (2) (from Schedule 7)	Investment Income on the KEY Fund (3)	Annual Expenditures (4)	Ending Key Fund Balance	Present Value of Annual Residual Additions	Present Value of Investment Income	Present Value of Expenditures	Present Value Factor (6)
2000	$415,763,500				$415,763,500				
2001	415,763,500	$16,702,112	$49,891,620	$52,400,000 (5)	429,957,232	$15,253,070	$45,563,123	$47,853,881	1.095000
2002	429,957,232	17,142,827	51,594,868	50,000,000	448,694,927	14,297,306	43,030,686	41,700,548	1.199025
2003	448,694,927	17,219,112	53,843,391	45,000,000	474,757,430	13,115,003	41,010,026	34,274,423	1.312932
2004	474,757,430	15,085,165	56,970,892	46,100,000	500,713,487	10,492,853	39,627,488	32,065,975	1.437661
2005	500,713,487	15,159,929	60,085,618	47,300,000	528,659,034	9,630,006	38,168,047	30,046,269	1.574239
2006	528,659,034	15,226,791	63,439,084	48,500,000	558,824,909	8,833,314	36,802,065	28,135,655	1.723791
2007	558,824,909	15,296,391	67,058,989	49,700,000	591,480,289	8,103,827	35,526,970	26,330,406	1.887552
2008	591,480,289	19,140,219	70,977,635	50,900,000	630,698,143	9,260,490	34,340,655	24,626,621	2.066869
2009	630,698,143	19,232,702	75,683,777	52,200,000	673,414,622	8,497,932	33,440,728	23,064,467	2.263222
2010	673,414,622	19,325,249	80,809,755	53,500,000	720,049,626	7,798,012	32,607,883	21,588,009	2.478228
2011	720,049,626	19,413,463	86,405,955	54,800,000	771,069,044	7,153,980	31,841,122	20,194,135	2.713659
2012	771,069,044	19,507,566	92,528,285	56,200,000	826,904,895	6,564,984	31,139,030	18,913,281	2.971457
2013	826,904,895	19,603,124	99,228,587	57,600,000	888,136,606	6,024,788	30,496,729	17,702,677	3.253745
2014	888,136,606	19,697,693	106,576,393	59,000,000	955,410,692	5,528,632	29,913,233	16,559,772	3.562851
2015	955,410,692	19,795,937	114,649,283	60,500,000	1,029,355,912	5,074,161	29,387,291	15,507,564	3.901322
2016	1,029,355,912	19,888,386	123,522,709	62,000,000	1,110,767,007	4,655,578	28,914,847	14,513,287	4.271948
2017	1,110,767,007	19,987,337	133,292,041	63,600,000	1,200,446,385	4,272,823	28,494,707	13,596,186	4.677783
2018	1,200,446,385	18,301,806	144,053,566	65,200,000	1,297,601,757	3,573,056	28,123,532	12,728,975	5.122172
2019	1,297,601,757	18,393,661	155,712,211	66,800,000	1,404,907,629	3,279,442	27,762,234	11,909,902	5.608778
2020	1,404,907,629	18,484,698	168,588,915	68,500,000	1,523,481,242	3,009,747	27,450,271	11,153,423	6.141612
2021	1,523,481,242	18,576,307	182,817,749	70,200,000	1,654,675,298	2,762,249	27,184,532	10,438,560	6.725065
2022	1,654,675,298	18,668,593	198,561,036	71,900,000	1,800,004,927	2,535,134	26,963,943	9,763,786	7.363946
2023	1,800,004,927	18,763,289	216,000,591	73,700,000	1,961,068,807	2,326,935	26,787,378	9,139,927	8.063521
2024	1,961,068,807	69,564,641	235,328,257	75,500,000	2,190,461,705	7,878,612	26,652,332	8,550,826	8.829556
2025	2,190,461,705	69,931,744	262,855,405	77,400,000	2,445,848,854	7,233,049	27,187,166	8,005,491	9.668364
2026	2,445,848,854	70,303,128	293,501,862	79,300,000	2,730,353,844	6,640,603	27,723,226	7,490,419	10.586858
2027	2,730,353,844	70,677,045	327,642,461	81,200,000	3,047,473,350	6,096,733	28,263,046	7,004,462	11.592610
2028	3,047,473,350	71,054,929	365,696,802	83,200,000	3,401,025,081	5,597,562	28,808,844	6,554,325	12.693908
2029	3,401,025,081	71,438,040	408,123,010	85,200,000	3,795,386,131	5,139,491	29,361,729	6,129,572	13.899829
2030	3,795,386,131	71,824,601	455,446,336	87,300,000	4,235,357,068	4,718,996	29,923,586	5,735,756	15.220313
		$913,406,485	$4,800,887,083	$1,894,700,000		$205,348,368	$952,496,449	$541,278,580	

Notes:

(1) This represents the amount of bond proceeds that will be deposited in the KEY Fund after providing for costs of issuance and a debt service reserve. See Schedule 5.

(2) Except for the TSRs in the years 2024 - 2030, this column represents the annual excess of the TSR after debt service is made. The debt service coverage ratio is approximately 1.35. Thus, approximately 26% of the TSRs will not be used to pay debt service, and will flow directly to the KEY Fund. See Schedules 7 and 8.

(3) This column represents investment income of 12% annually on the sum of bond proceeds and residual additions.

(4) The annual expenditures (transfers to the Children's Initiative Fund and the State General Fund) are taken from the KEY Fund legislation: Chapter 172 of the 1999 Session Laws.

(5) This expenditure represents the remaining expenditures left to be paid from the 2001 TSR. Total budgeted expenditures through 2001 are $121.4 million ($20.7 plus $100.7), less the 1998 and 2000 TSRs of approximately $69 million, equals remaining expenditures of $52.4 million.

(6) A present value discount factor of 9.5% is assumed. This is the approximate anticipated rate of interest cost on the bonds. See schedule 6.

(7) The debt service reserve is invested at 6.75%. The investment income is used to pay a portion of the debt service payment. See Schedule 7.

Taxable Securitization:	Gross Value	Present Value
Initial Deposit to KEY Fund:	$415,763,500.0	$415,763,500.0
Annual Residual Additions:	913,406,485.0	205,348,368.0
Investment Income:	4,800,887,083.0	952,496,449.0
Less Expenditures:	(1,894,700,000.0)	(541,278,580.0)
KEY Fund Balance (*as of 6/01/2030*):	$4,235,357,068.0	$1,032,329,737.0

Taken to Analyses 1 and 2

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SCHEDULE 16: TAXABLE SECURITIZATION - 15% Investment Rate Sensitivity Analysis

Net Bond Proceeds: $415,763,500

Date	Beginning Key Fund Balance	Annual Residual Additions (2) (from Schedule 7)	Investment Income on the KEY Fund (3)	Annual Expenditures (4)	Ending Key Fund Balance	Present Value of Annual Residual Additions	Present Value of Investment Income	Present Value of Expenditures	Present Value Factor (6)
2000	$415,763,500		·		$415,763,500				
2001	415,763,500	$16,702,112	$62,364,525	$52,400,000 (5)	442,430,137	$15,253,070	$56,953,904	$47,853,881	1.095000
2002	442,430,137	17,142,827	66,364,521	50,000,000	475,937,485	14,297,306	55,348,738	41,700,548	1.199025
2003	475,937,485	17,219,112	71,390,623	45,000,000	519,547,220	13,115,003	54,374,943	34,274,423	1.312932
2004	519,547,220	15,085,165	77,932,083	46,100,000	566,464,468	10,492,853	54,207,554	32,065,975	1.437661
2005	566,464,468	15,159,929	84,969,670	47,300,000	619,294,067	9,630,006	53,975,085	30,046,269	1.574239
2006	619,294,067	15,226,791	92,894,110	48,500,000	678,914,968	8,833,314	53,889,414	28,135,655	1.723791
2007	678,914,968	15,296,391	101,837,245	49,700,000	746,348,604	8,103,827	53,952,032	26,330,406	1.887552
2008	746,348,604	19,140,219	111,952,291	50,900,000	826,541,114	9,260,490	54,165,160	24,626,621	2.066869
2009	826,541,114	19,232,702	123,981,167	52,200,000	917,554,983	8,497,932	54,780,835	23,064,467	2.263222
2010	917,554,983	19,325,249	137,633,247	53,500,000	1,021,013,479	7,798,012	55,536,968	21,588,009	2.478228
2011	1,021,013,479	19,413,463	153,152,022	54,800,000	1,138,778,964	7,153,980	56,437,455	20,194,135	2.713659
2012	1,138,778,964	19,507,566	170,816,845	56,200,000	1,272,903,375	6,564,984	57,485,891	18,913,281	2.971457
2013	1,272,903,375	19,603,124	190,935,506	57,600,000	1,425,842,005	6,024,788	58,681,762	17,702,677	3.253745
2014	1,425,842,005	19,697,693	213,876,301	59,000,000	1,600,415,999	5,528,632	60,029,537	16,559,772	3.562851
2015	1,600,415,999	19,795,937	240,062,400	60,500,000	1,799,774,336	5,074,161	61,533,605	15,507,564	3.901322
2016	1,799,774,336	19,888,386	269,966,150	62,000,000	2,027,628,872	4,655,578	63,195,100	14,513,287	4.271948
2017	2,027,628,872	19,987,337	304,144,331	63,600,000	2,288,160,540	4,272,823	65,018,912	13,596,186	4.677783
2018	2,288,160,540	18,301,806	343,224,081	65,200,000	2,584,486,427	3,573,056	67,007,529	12,728,975	5.122172
2019	2,584,486,427	18,393,661	387,672,964	66,800,000	2,923,753,052	3,279,442	69,118,969	11,909,902	5.608778
2020	2,923,753,052	18,484,698	438,562,958	68,500,000	3,312,300,708	3,009,747	71,408,443	11,153,423	6.141612
2021	3,312,300,708	18,576,307	496,845,106	70,200,000	3,757,522,121	2,762,249	73,879,596	10,438,560	6.725065
2022	3,757,522,121	18,668,593	563,628,318	71,900,000	4,267,919,032	2,535,134	76,538,894	9,763,786	7.363946
2023	4,267,919,032	18,763,289	640,187,855	73,700,000	4,853,170,176	2,326,935	79,393,087	9,139,927	8.063521
2024	4,853,170,176	69,564,641	727,975,526	75,500,000	5,575,210,343	7,878,612	82,447,581	8,550,826	8.829556
2025	5,575,210,343	69,931,744	836,281,551	77,400,000	6,404,023,638	7,233,049	86,496,700	8,005,491	9.668364
2026	6,404,023,638	70,303,128	960,603,546	79,300,000	7,355,630,312	6,640,603	90,735,469	7,490,419	10.586858
2027	7,355,630,312	70,677,045	1,103,344,547	81,200,000	8,448,451,904	6,096,733	95,176,545	7,004,462	11.592610
2028	8,448,451,904	71,054,929	1,267,267,786	83,200,000	9,703,574,619	5,597,562	99,832,755	6,554,325	12.693908
2029	9,703,574,619	71,438,040	1,455,536,193	85,200,000	11,145,348,852	5,139,491	104,716,123	6,129,572	13.899829
2030	11,145,348,852	71,824,601	1,671,802,328	87,300,000	12,801,675,781	4,718,996	109,840,209	5,735,756	15.220313
		$913,406,485	$13,367,205,796	$1,894,700,000		$205,348,368	$2,076,158,795	$541,278,580	

Notes:

(1) This represents the amount of bond proceeds that will be deposited in the KEY Fund after providing for costs of issuance and a debt service reserve. See Schedule 5.

(2) Except for the TSRs in the years 2024 - 2030, this column represents the annual excess of the TSR after debt service is made. The debt service coverage ratio is approximately 1.35. Thus, approximately 26% of the TSRs will not be used to pay debt service, and will flow directly to the KEY Fund. See Schedules 7 and 8.

(3) This column represents investment income of 15% annually on the sum of bond proceeds and residual additions.

(4) The annual expenditures (transfers to the Children's Initiative Fund and the State General Fund) are taken from the KEY Fund legislation: Chapter 172 of the 1999 Session Laws.

(5) This expenditure represents the remaining expenditures left to be paid from the 2001 TSR. Total budgeted expenditures through 2001 are $121.4 million ($20.7 plus $100.7), less the 1998 and 2000 TSRs of approximately $69 million, equals remaining expenditures of $52.4 million.

(6) A present value discount factor of 9.5% is assumed. This is the approximate anticipated rate of interest cost on the bonds. See schedule 6.

(7) The debt service reserve is invested at 6.75%. The investment income is used to pay a portion of the debt service payment. See Schedule 7.

Taxable Securitization:	Gross Value	Present Value
Initial Deposit to KEY Fund:	$415,763,500.0	$415,763,500.0
Annual Residual Additions:	913,406,485.0	205,348,368.0
Investment Income:	13,367,205,796.0	2,076,158,795.0
Less Expenditures:	(1,894,700,000.0)	(541,278,580.0)
KEY Fund Balance (*as of 6/01/2030*):	$12,801,675,781.0	$2,155,992,083.0

Taken to Analyses 1 and 2

18-32

SCHEDULE 17: TAXABLE SECURITIZATION - 20% Investment Rate Sensitivity Analysis

Net Bond Proceeds: $415,763,500 (1)

Date	Beginning Key Fund Balance	Annual Residual Additions (2) *(from Schedule 7)*	Investment Income on the KEY Fund (3)	Annual Expenditures (4)	Ending Key Fund Balance	Present Value of Annual Residual Additions	Present Value of Investment Income	Present Value of Expenditures	Present Value Factor (6)
2000	$415,763,500				$415,763,500				
2001	415,763,500	$16,702,112	$83,152,700	$52,400,000 (5)	463,218,312	$15,253,070	$75,938,539	$47,853,881	1.095000
2002	463,218,312	17,142,827	92,643,662	50,000,000	523,004,801	14,297,306	77,265,830	41,700,548	1.199025
2003	523,004,801	17,219,112	104,600,960	45,000,000	599,824,873	13,115,003	79,669,724	34,274,423	1.312932
2004	599,824,873	15,085,165	119,964,975	46,100,000	688,775,013	10,492,853	83,444,553	32,065,975	1.437661
2005	688,775,013	15,159,929	137,755,003	47,300,000	794,389,945	9,630,006	87,505,789	30,046,269	1.574239
2006	794,389,945	15,226,791	158,877,989	48,500,000	919,994,725	8,833,314	92,167,757	28,135,655	1.723791
2007	919,994,725	15,296,391	183,998,945	49,700,000	1,069,590,061	8,103,827	97,480,220	26,330,406	1.887552
2008	1,069,590,061	19,140,219	213,918,012	50,900,000	1,251,748,292	9,260,490	103,498,582	24,626,621	2.066869
2009	1,251,748,292	19,232,702	250,349,658	52,200,000	1,469,130,652	8,497,932	110,616,504	23,064,467	2.263222
2010	1,469,130,652	19,325,249	293,826,130	53,500,000	1,728,782,031	7,798,012	118,563,012	21,588,009	2.478228
2011	1,728,782,031	19,413,463	345,756,406	54,800,000	2,039,151,900	7,153,980	127,413,347	20,194,135	2.713659
2012	2,039,151,900	19,507,566	407,830,380	56,200,000	2,410,289,846	6,564,984	137,249,302	18,913,281	2.971457
2013	2,410,289,846	19,603,124	482,057,969	57,600,000	2,854,350,939	6,024,788	148,154,797	17,702,677	3.253745
2014	2,854,350,939	19,697,693	570,870,188	59,000,000	3,385,918,820	5,528,632	160,228,474	16,559,772	3.562851
2015	3,385,918,820	19,795,937	677,183,764	60,500,000	4,022,398,521	5,074,161	173,578,028	15,507,564	3.901322
2016	4,022,398,521	19,888,386	804,479,704	62,000,000	4,784,766,611	4,655,578	188,316,852	14,513,287	4.271948
2017	4,784,766,611	19,987,337	956,953,322	63,600,000	5,698,107,270	4,272,823	204,574,137	13,596,186	4.677783
2018	5,698,107,270	18,301,806	1,139,621,454	65,200,000	6,790,830,530	3,573,056	222,487,938	12,728,975	5.122172
2019	6,790,830,530	18,393,661	1,358,166,106	66,800,000	8,100,590,297	3,279,442	242,150,084	11,909,902	5.608778
2020	8,100,590,297	18,484,698	1,620,118,059	68,500,000	9,670,693,054	3,009,747	263,793,615	11,153,423	6.141612
2021	9,670,693,054	18,576,307	1,934,138,611	70,200,000	11,553,207,972	2,762,249	287,601,464	10,438,560	6.725065
2022	11,553,207,972	18,668,593	2,310,641,594	71,900,000	13,810,618,159	2,535,134	313,777,620	9,763,786	7.363946
2023	13,810,618,159	18,763,289	2,762,123,632	73,700,000	16,517,805,080	2,326,935	342,545,584	9,139,927	8.063521
2024	16,517,805,080	69,564,641	3,303,561,016	75,500,000	19,815,430,737	7,878,612	374,148,038	8,550,826	8.829556
2025	19,815,430,737	69,931,744	3,963,086,147	77,400,000	23,771,048,628	7,233,049	409,902,468	8,005,491	9.668364
2026	23,771,048,628	70,303,128	4,754,209,726	79,300,000	28,516,261,482	6,640,603	449,067,099	7,490,419	10.586858
2027	28,516,261,482	70,677,045	5,703,252,296	81,200,000	34,208,990,823	6,096,733	491,973,110	7,004,462	11.592610
2028	34,208,990,823	71,054,929	6,841,798,165	83,200,000	41,038,643,917	5,597,562	538,982,819	6,554,325	12.693908
2029	41,038,643,917	71,438,040	8,207,728,783	85,200,000	49,232,610,740	5,139,491	590,491,351	6,129,572	13.899829
2030	49,232,610,740	71,824,601	9,846,522,148	87,300,000	59,063,657,489	4,718,996	646,932,973	5,735,756	15.220313
		$913,406,485	$59,629,187,504	$1,894,700,000		$205,348,368	$7,239,519,610	$541,278,580	

Notes:

(1) This represents the amount of bond proceeds that will be deposited in the KEY Fund after providing for costs of issuance and a debt service reserve. See Schedule 5.

(2) Except for the TSRs in the years 2024 - 2030, this column represents the annual excess of the TSR after debt service is made. The debt service coverage ratio is approximately 1.35. Thus, approximately 26% of the TSRs will not be used to pay debt service, and will flow directly to the KEY Fund. See Schedules 7 and 8.

(3) This column represents investment income of 20% annually on the sum of bond proceeds and residual additions.

(4) The annual expenditures (transfers to the Children's Initiative Fund and the State General Fund) are taken from the KEY Fund legislation: Chapter 172 of the 1999 Session Laws.

(5) This expenditure represents the remaining expenditures left to be paid from the 2001 TSR. Total budgeted expenditures through 2001 are $121.4 million ($20.7 plus $100.7), less the 1998 and 2000 TSRs of approximately $69 million, equals remaining expenditures of $52.4 million.

(6) A present value discount factor of 9.5% is assumed. This is the approximate anticipated rate of interest cost on the bonds. See schedule 6.

(7) The debt service reserve is invested at 6.75%. The investment income is used to pay a portion of the debt service payment. See Schedule 7.

Taxable Securitization:	Gross Value	Present Value
Initial Deposit to KEY Fund:	$415,763,500.0	$415,763,500.0
Annual Residual Additions:	913,406,485.0	205,348,368.0
Investment Income:	59,629,187,504.0	7,239,519,610.0
Less Expenditures:	(1,894,700,000.0)	(541,278,580.0)
KEY Fund Balance (*as of 6/01/2030*):	$59,063,657,489.0	$7,319,352,898.0

Taken to Analyses 1 and 2

Tax Supported
Special Report

Tobacco Securitization Not Expected to Affect Government Credit

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■ Summary
Fitch IBCA's analysis of the impact of tobacco securitizations on government credit begins with the understanding that the master settlement agreement (MSA) is in itself a positive credit factor. In its analysis, Fitch IBCA considers how a government intends to use its securitization proceeds. Furthermore, in analyzing a government's debt ratios, Fitch IBCA believes that it is appropriate to consider two views — both including and excluding tobacco securitizations — to more fully understand the government's financial position. However, securitizing a portion of a government's future MSA receipts, in and of itself, should not affect a government's credit and, if structured through a true sale to a special purpose entity, results in a transfer to bondholders of some of the government's risk to reductions or interruptions in MSA payments.

■ Background
On Nov. 23, 1998, 46 states, Washington, D.C., and various U.S. territories entered into a master settlement agreement (MSA) with the four largest U.S tobacco manufacturers — Philip Morris Inc., R.J. Reynolds Tobacco Co., Brown & Williamson Tobacco Corp., and Lorillard Tobacco Co. The four states not party to the MSA previously settled their claims against the tobacco companies. The MSA is a comprehensive agreement settling the states' medical care cost claims against the tobacco industry in return for the industry making payments and taking certain other actions. The MSA payments include five initial payments through 2003 ranging from $2.4 billion–$2.7 billion per year, and annual payments beginning in 2000 and continuing in perpetuity in amounts ranging from $4.5 billion–$9.0 billion per year. The initial payments and annual payments will be adjusted based on a number of factors, the most important of which is domestic cigarette consumption. Simply put, if future U.S. cigarette consumption decreases relative to consumption in 1997, so do the payment obligations of the tobacco manufacturers. Furthermore, the payments obligations of the tobacco companies are legally several, based on their market shares. Therefore, if one or more tobacco manufacturers fail to make a payment, the others are not required to make up the difference.

■ Tobacco Securitizations
So far, three governments — New York City, Nassau County, NY, and Westchester County, NY — have issued tobacco securitizations. Fitch IBCA rated all three transactions 'A+'. In each transaction, the underlying government sold its right to receive future MSA payments

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to a newly created special purpose entity, which funded the purchase by issuing debt against the future payment stream. Under the structure, MSA payments are made directly to the special purpose entity, and that portion not needed to pay debt service on the bonds (the residual) is transferred to the government's general fund.

Impact on Government Credit

In analyzing the impact of tobacco securitizations on a government's credit, Fitch IBCA notes several points.

- The MSA agreement in itself has a positive impact on government credit because the settlement provides a new source of unobligated revenues.
- Securitizing a portion of a government's future MSA receipts, in and of itself, has no impact on the government's credit. The government has simply converted a portion of its receivables into cash, discounted at a rate reflecting the time value of money and the credit risk of future cash flows.
- How tobacco securitization proceeds are used can affect a government's credit. For example, if the proceeds are used to fund a program with ongoing expenses that are intended to be paid from MSA residual receipts, and residuals shrink below expected levels, there may be pressure to continue to fund the program from that government's other resources. Fitch IBCA notes that such a strain can occur even if no tobacco securitization took place. However, this concern is mitigated by the relatively small size of tobacco revenues, which are typically 1%–3% of a government's total budget.
- If a securitization is structured through a true sale to a special purpose entity — as in the cases of New York City, Nassau County, and Westchester County — some of the government's risk to reductions or interruptions in MSA payments is effectively transferred to bondholders. If for any reason MSA payments fall below debt service requirements, the underlying government has no legal obligation to make up the difference. Bondholders are compensated for the risk they assume by the yield the market sets on the bonds.
- Converting receivables into cash through the issuance of tobacco bonds creates an obligation on resources (i.e. the portion of the MSA payment required to pay debt service) that would have otherwise gone to the government.

Analysis

If tobacco securities are structured through a true sale of a government's future MSA receipts to a special purpose entity, Fitch IBCA recognizes that the debt incurred is legally that of the special purpose entity, not the underlying government. In fact, a government might be considered fiscally prudent in issuing a tobacco securitization for the sole purpose of transferring to bondholders a portion of the government's risk that MSA payments will decrease far below expected levels.

However, in considering a government's debt picture, Fitch IBCA takes a broad view that includes all obligations that are supported by all the government's resources. For example, governments sell bonds backed solely by sales taxes, gasoline taxes, user fees, lottery revenues, and federal grants, among other things. These special obligation bonds also have no legal recourse to the governments' other resources if the pledged revenues are insufficient to pay debt service. Fitch IBCA recognizes that with tobacco securitizations, revenues have been sold rather than pledged. Nevertheless, Fitch IBCA includes all these obligations in calculating a government's debt ratios because a government's resources — be they from taxes, lottery revenues, federal grants, or tobacco settlement payments — are all essentially fungible. While the components can be legally isolated and used to secure debt, doing so draws from the government's overall resources, which can limit its financial flexibility.

Debt Ratios Should be Viewed Two Ways

Because the tobacco settlements have been sold to a special purpose entity, and the securitized debt is not a legal obligation of the government, Fitch IBCA thinks one appropriate way of looking at the government's debt ratios is to exclude the tobacco securitization from the calculations. On the other hand, because debt service on the bonds is paid by resources that would have otherwise have been available for different uses, Fitch IBCA feels it is also appropriate to consider securitized debt, as well as the MSA receipts, in calculating a government's debt ratios. Therefore, for governments that have sold securitized tobacco debt through special purpose entities, Fitch IBCA will consider in its analysis and show in its credit reports debt ratios both including and excluding the tobacco securitization debt.

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Conclusion

In looking at debt ratios two ways, Fitch IBCA is able to consider both the legal liabilities of a government, as well as all the obligations against that government's total resources. It is felt that considering both views will provide a better understanding of a government's general creditworthiness than either measure in isolation. However, because securitizing tobacco revenues simply converts receivables into cash, it is not expected to affect the government's credit, assuming the proceeds of the securitization are appropriately used and not spent in a way that creates significant ongoing expenses.

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THE BOND BUYER
REGIONAL NEWS

April 14, 2000

California Authority Chooses Novel Pooled Tobacco Financing

By Michael B. Marois

SAN FRANCISCO -A large **California** issuer this week decided to create a pooled tobacco securitization program open to all the state's counties as a way to reduce certain risks unique to the state and to lower issuance costs.

The **California Statewide Communities Development Authority** said Wednesday that it has selected a financing team and begun marketing the idea to potential issuers.

The CSCDA selected **Salomon Smith Barney** Inc. to serve as book-running senior manager for thestatewide tobacco securitization program. **J.P. Morgan Securities** Inc. and **Morgan Stanley Dean Witter** & Co. will co-senior manage the first-of-its-kind financing. **Sutro** & Co. will co-manage the program; **Orrick, Herrington & Sutcliffe** will serve as transaction counsel; and **Hawkins, Delafield & Wood** will act as counsel to the underwriters. Ten major Wall Street firms submitted proposals to serve as senior manager.

The size of the pooled deal is still undecided, officials said. The program's first deal could price in late fall, once the CSCDA creates the special purpose corporation, called the California Statewide Tobacco Securitization Corp., which will be the bond issuer.

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Jerry Burke, program manager for the CSCDA, who will coordinate the special purpose corporation, said issuers may want to complete their financing as soon as possible. He cited ongoing tobacco litigation and potential tobacco securitization market capacity issues, as well as possible legislative or voter initiative restrictions. One pending ballot initiative would require counties in the state to apply all of their settlement proceeds to anti-smoking programs.

"We want to be in a position to accommodate those participants who are concerned about the long-term reliability of the tobacco payments and want to move quickly," he said. "There is a concern out there that the tobacco bond market may eventually dry up."

The CSCDA is a joint-powers authority sponsored by the California League of Cities and the California State Association of Counties. The sixth-largest issuer of municipal debt in the country last year, the authority specializes in issuing conduit bonds for public agencies and eligible private agencies.

Under the plan California adopted for its share of the national tobacco settlement, the state will receive 50% of the $25 billion settlement, and four cities will receive 1.25% each. The remaining 45% will be split among the state's 58 counties based upon population. The relative percentage of each county's tobacco settlement payments will be adjusted every 10 years based upon new census data.

The pooled securitization program is being structured to appeal to all types of issuers, even large counties that typically shy away from pooled financing programs. The pool would help alleviate concerns about how ratings from issuers of different credit qualities will blend, because in this case the pool itself will earn its own credit rating based on the settlement and the tobacco industry risks. By tying the overall repayment risk to a number of issuers, the pool structure will also mitigate the risks raised by shifting population levels.

In a statement about the pool, **Roger Davis**, a partner at Orrick, said, "This program presents a significant opportunity for all California tobacco settlement recipients to achieve the classic benefits of market access and economies of scale with respect to transactions which are very complicated and expensive on a stand-alone basis.".

"More importantly," he continued, "the program will allow participants a chance to diversify the risk associated with their investment in the tobacco industry and to take advantage of the remote nonprofit corporation created by the pool to serve as issuer of the bonds rather than having to create an entity locally."

The financing team is looking at several structures, including those already tried in the market, such as the dual amortization structure, paying bonds with settlement money using a supersinker structure, or investing the settlement money in other tax-exempt bonds.

"The first and most important thing to do," said **Tony Hughes**, managing director at Salomon Smith Barney, "is to create the right pool structure, so that people who decided that they want to securitize can then realize benefits from participating in the pool. Once we get the pool together, then the idea of how we apply the [tobacco settlement] revenues ... can all be decided later."

THE BOND BUYER
REGIONAL NEWS

April 11, 2000

In the Midst of Market Lows, Florida Scrambles to Protect Tobacco Money

By Shelly Sigo

BRADENTON, Fla. - With a lull in **Florida**'s bond market right now, key players in the business are watching fear-stricken state officials trying to securitize Florida's tobacco settlement to protect the revenues from the effects of pending litigation.

The Working Group on Preserving the Tobacco Settlement meets today in Tallahassee. The joint Senate and House task force held its first meeting yesterday and is charged with recommending how best to protect Florida's $19 billion award, which is part of the nationwide settlement reached last year.

The concern, similar to some heard in other states, results from individual and class action lawsuits that could drain tobacco company's resources and ability to pay state settlements.

The vigil in Florida is somewhat of a time filler now, as a "natural pause" in tax- exempt bond market activity comes while federal income tax returns consume investors, said **Robert Moore**, a vice president with **William R. Hough** & Co. in St. Petersburg.

"It's a little slow now, because not as much cash is available," Moore said. "But after next week things should pick up."

The seasonal drop in market activity, as well as volatility

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in portions of the market lately, makes selling bonds difficult for issuers, and buying them a problem for investors assessing their cash positions as they calculate their tax obligations.

"When they realize they are paying more for taxes than they should, investor action should pick up and the tax-free bond market should be more attractive," said Moore.

Economists believe the bond market will remain firm, Moore explained, boding well for the economy and the municipal market to continue to grow.

Florida officials still remain on a fast track to protect tobacco settlement revenues and the ability to bond against them in the future.

The task force is exploring alternatives such as spend and save, do nothing, and insure the revenue stream.

There are concerns about whether any of those options will be in place before a jury that awarded compensatory damages to three plaintiffs in Miami last week acts on the punitive damage question. The jury will now consider awarding compensatory or punitive damages to a class of up to 500 people affected by smoking in ways similar to the plaintiffs.

The task force heard testimony yesterday from people who were split about doing anything to protect the settlement, said **Kathy Mears**, a legislative assistant to Sen. **Daniel Webster**, R-Winter Garden.

The Florida attorney general's office said the state does not need to act, because case law rulings have prohibited punitive damages to classes. Another attorney told the group that protection was necessary "to prevent the tobacco industry from becoming bankrupt," Mears said.

The group meets today and is "an aggressive schedule to tackle the issue," she said.

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THE BOND BUYER
REGIONAL NEWS

April 11, 2000

Arkansas' Huckabee Plays Trump Card in Wake of Tobacco Impasse

By Elizabeth Albanese

After the **Arkansas** General Assembly's special session ended in a stalemate last week, Gov. **Mike Huckabee** late Friday threw down a trump card that may yet accomplish what lawmakers could not.

The session was called to determine a spending plan for the state's $1.6 billion tobacco lawsuit settlement.

The spending proposal endorsed by Huckabee, which included bond-funded construction of health care facilities and research centers, was passed unanimously by the Senate. When it reached the House, the language of the bill was removed and another plan authored by House Speaker **Bob Johnson**, D-Morrilton, was inserted via a 19-page amendment. With a five-day cap for the length of the session set by the governor's office, the two chambers were unable to compromise on a plan.

With no plan for tobacco proceeds, and a wait of nearly a year for the regular session in 2001, Huckabee said Friday he planned to bring his plan to the Nov. 7 ballot for approval by voters.

Approval of the plan via a referendum would result in an initiated act, a measure that can only be overturned by a three-quarters majority vote of the legislature. Laws enacted by lawmakers can be changed by a majority vote of the House and Senate.

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The governor's plan was written by Coalition for a Healthy Arkansas Today, a group of 100 health care entities with more than 2,000 members.

"The coalition has been called into play by the governor," said Huckabee spokesman **Rex Nelson.** "They have worked tirelessly to get this plan passed, and we believe they will join us in this campaign to bring this issue to the people."

He said the governor believes coalition members will have no trouble gathering the 57,000 signatures needed to put the proposal to a vote.

"Because it is so difficult to get an initiated act overturned, we may be doing the best thing for the state," Nelson said. "Regular legislation can be changed every two years fairly easily - this gives us the benefit of being able to develop long-range spending plans that can't be changed at a whim."

March 27, 2000

Ex-Smoker Awarded $20M From Two Tobacco Cos By US Crt

Dow Jones Newswires

SAN FRANCISCO -- A dying ex-smoker Monday was awarded $20 million in punitive damages from nation's two largest **tobacco** companies.

The Superior Court jury ordered Philip Morris Cos. (MO) and R.J. Reynolds **Tobacco** Holdings Inc. (RJR) to each pay $10 million to Leslie Whiteley and her husband. The same jury awarded the couple $1.7 million in compensation last week after finding that the companies deceived the public about the dangers of smoking.

That verdict was the first for a smoker who took up the habit after 1969, when the surgeon general's warnings first appeared on cigarette packages.

The Whiteleys had asked the jury for $115 million in punitive damages - which they said would represent 1% of the companies' combined net worth. Their lawyer said cigarette makers remain unrepentant for the harm they cause.

Lawyers for Philip Morris and R.J. Reynolds said suggested punitive damages of $3.4 million to $5.1 million. They said the companies clearly have gotten the message, noting the $206 billion settlement reached in 1998 by cigarette makers and 46 states suing over health costs.

The jury, which started deliberating punitive damages Friday, voted 9-3, the exact margin needed for a verdict.

Of the nation's five other jury verdicts in favor of individual smokers, two in Florida and one in New Jersey were overturned on appeal; an $80 million verdict in Portland, Ore., was reduced to $31 million by the trial judge; and a $51 million verdict against Philip Morris in San

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Francisco a year ago was cut in half by Superior Court Judge John Munter, who is also presiding over Whiteley's case.

Whiteley, 40, of Ojai in Southern California, said she started smoking in 1972, at age 13. She smoked Philip Morris' Marlboros and Reynolds' Camels until 1998, when she quit shortly before doctors diagnosed small-cell lung cancer. Doctors say she will likely die this year.

The **tobacco** companies said Whiteley harmed herself by her admitted use of marijuana, by smoking during pregnancy and by disregarding warnings on cigarette packages.

But after reviewing internal industry documents, jurors found that the companies designed cigarettes negligently, then made false or misleading statements to the public and concealed information about the dangers of smoking.

Philip Morris will appeal if the trial judge upholds the verdict, said company lawyer William Ohlemeyer.

"Mrs. Whiteley never smoked a pack of cigarettes that didn't have a health warning on it that was written by the surgeon general," Ohlemeyer said.

He also contends punitive damages are improper because "the companies have made profound changes in the way they do business."

Briefing Book for: MO | RJR

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March 22, 2000

British Colombia Will Revive a Lawsuit To Recoup Tobacco-Related Health Costs

By a WALL STREET JOURNAL Staff Reporter

OTTAWA -- The British Columbia government plans to revive a lawsuit seeking to recover billions of dollars in health-care costs from **tobacco** companies by amending the enabling legislation that had been struck down by a Canadian court.

British Columbia Health Minister Michael Farnworth said he expects the new law will be passed by the end of June. After that, the government will relaunch its lawsuit against Canadian **tobacco** companies, which is similar to suits brought in the U.S.

Last month, the British Columbia Supreme Court found the existing law exceeded the province's jurisdiction by holding international parent **tobacco** companies legally responsible for the action of their Canadian subsidiaries.

British Columbia officials said it was too early to say which specific companies would be named in the new suit. But David Laundy, a vice president of the Canadian **Tobacco** Manufacturers' Council, which represents the industry in Canada, said the government would likely target the country's big three manufacturers: JTI-Macdonald Corp., a unit of Japan **Tobacco** Inc.; Imperial **Tobacco** Ltd., a unit of British American **Tobacco** PLC; and Rothmans Benson & Hedges Inc., a publicly traded company.

Mr. Laundy said the Canadian companies wouldn't follow the example of **tobacco** concerns in the U.S. and negotiate a settlement. "I'm disappointed by the government's decision," he added. "If the government wants more than the money they already take, they should simply raise **tobacco** taxes."

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States Fearing Tobacco Industry Bankruptcy

Damages in Florida suit may be huge

SF Chronicle 3/21/00

By *Henry Weinstein and Myron Levin*
Los Angeles Times

State attorneys general are taking the extraordinary precaution of hiring bankruptcy lawyers out of fear that a colossal damage award in a Florida class action could lead to a tobacco industry bankruptcy and stop the flow of settlement payments to the states.

Christine Gregoire, Washington attorney general, said a panel of attorneys general will be interviewing bankruptcy counsel tomorrow, adding that the states "have every intent of . . . holding (cigarette-makers') feet to the fire" regarding payment obligations under $246 billion in settlements reached in 1998 with the states.

Although the tobacco industry has not said it would seek bankruptcy protection, talk of bankruptcy stems from the threat of a punitive damages award that could reach into the hundreds of billions of dollars in the Engle class-action case, which is nearing a critical phase in Dade County Circuit Court in Miami.

Industry representatives "have clearly stated to us that they are concerned about . . . a large punitive damage award, and what that would mean to them as companies," Gregoire said.

A record-breaking damage award is widely anticipated because jurors in the case already have found cigarette-makers guilty of lying to the public about the risks and possibilities of addiction to smoking. Under a trial plan bitterly protested by the industry, the same jury is soon expected to decide whether punitive damages should be assessed in a lump sum to an immense class of current and former Florida smokers, rather than considering their cases one at a time.

Although tobacco officials and Wall Street analysts have said they believe the industry would have a good chance of prevailing on appeal, the companies would face the immediate problem of posting an appeal bond to cover an award that many think may reach or exceed $100 billion.

Under the law in Florida and many other states, in order to forestall collection of a judgment, the losing party is required to post a bond to cover the full amount of damages plus interest to cover the period of the appeal. And despite their enormous cash flow, cigarette-makers don't have that kind of money laying around, which is causing the bankruptcy buzz.

But at the behest of tobacco producers, legislatures in four states — Georgia, Kentucky, Virginia and North Carolina — have recently passed or are being urged to take up bills that limit the financial requirements a defendant must meet during the appeal process.

Citing a gag order imposed by Engle trial Judge Robert Kaye, spokesmen for the nation's three leading cigarette manufacturers — Philip Morris, R.J. Reynolds, and Brown & Williamson Tobacco Corp. — all declined comment.

Tobacco industry analyst Martin Feldman of SalomonSmithBarney said he did not expect bankruptcy filings but acknowledged the subject was being widely discussed in investment circles. He said the prospect of a huge damage award had so deeply depressed tobacco share prices that it was as if the market anticipated a bankruptcy.

The stakes are high for the states too. Although health advocates have bitterly complained that few states have earmarked significant settlement funds for anti-smoking efforts, a host of other new programs — ranging from health care and public works to tax relief — now depend on tobacco payments.

Now well into its second year of trial, the Engle case, named for Miami physician Howard Engle, seeks damages for a large class of current and former Florida smokers possibly numbering in the hundreds of thousands.

In a landmark verdict last July in the first phase of the case, the six-member jury found that smoking was addictive and the cause of a variety of deadly diseases. Jurors also concluded that cigarette companies "engaged in extreme and outrageous conduct," including lying about the dangers and addictive nature of their products, and thus were generally liable for injuries to smokers.

Closing arguments are set fo March 27 in the trial's second phas — the mini-trials of three class repre sentatives who blamed their cancer on smoking.

The New York Times contributed to thı repor.

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NATIONAL REPORT

Florida Ads Prompt Big Drop In Teen Smoking

CHRONICLE NEWS SERVICES

While teenage smoking has been on the rise nationwide, Florida's aggressive anti-smoking campaign has produced an unprecedented 54 percent decline in middle school tobacco use over the past two years, and a 24 percent drop among high school students.

The statistics, which will officially be released today by the Florida Youth Tobacco Survey, outstrip even the most optimistic estimates of what a forceful anti-smoking campaign can do. They also show the decrease in smoking was significantly larger in the program's second year than in its first, despite a controversial drop in the campaign's funding.

The Florida effort is a pilot program funded by $200 million from the state's settlement with tobacco companies of a lawsuit it filed to recover the costs of treating the health problems of sick smokers, which preceded a larger national settlement of similar lawsuits in other states. The program has included a major media campaign called "the truth," with television ads that attack the tobacco companies as manipulative and deceitful.

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THE WALL STREET JOURNAL
INTERACTIVE EDITION
FROM THE ARCHIVES

March 27, 2000

Florida Legislature Set To Debate $2.7B Tobacco Bonds

Dow Jones Newswires

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    (This story was originally published Friday)
  By Dena Aubin
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NEW YORK -- Afraid of coming up short on its $18 billion settlement from the **tobacco** industry, Florida is eyeing the taxable debt markets for a bond sale backed by the settlement.

A bill authorizing the bonds, introduced in the Florida legislature earlier this month by Republican senator Jim Horne and Rep. Carlos A. Lacasa, Republican-Miami, is expected to come up for debate in the House Financial Services Committee in about two weeks.

Under the proposed bill, Florida would sell rights to its **tobacco** settlement payments to the **Tobacco** Settlement Financing Corp., a non-profit corporation that would issue bonds backed by the payments.

Since only about $2.7 billion in bonds - just a fraction of Florida's settlement - would be sold, backers say they're confident bondholders would be repaid.

"We're very confident that the **tobacco** revenues are sufficient to carry this and many many other bond issues," Lacassa said. "But you do have some uncertainty. There's no telling what a court in one of the 50 states, or one circuit court, will do."

And with crucial litigation against the **tobacco** industry nearing a verdict, marketing the bonds may be difficult, said Horne, the senate sponsor of the bill.

"There's a whole host of issues that affect the ability to do this," he said.

Miami Case Clouds Bonds

Critical to the **tobacco** industry is a decision on damages in a class action lawsuit being tried in Miami. Some observers have estimated that damages in that case could reach into the hundreds of billions of dollars.

"We're fairly comfortable it will be overturned, but the question is how that plays out timing-wise and what effect that would have in the bonding markets," Horne said.

Florida is the latest in a number of states mulling bonds as a tide of litigation against **tobacco** companies clouds the outlook for the states' settlement payments.

Lacasa said he believes the uncertainty warrants the interest costs and fees on the securitization, estimated to range between 7% and 9%.

"Our plan would be to re-invest the dollars and try to reduce that cost to a point or two," Lacasa said. Interest earnings on the state's pension investments are averaging about 8%, he said.

One of the first states to sue **tobacco** companies over smoking-related illnesses, Florida settled with the industry in 1997, one year ahead of a national settlement reached by 46 states.

By securitizing only about $2.7 billion of its settlement, Florida would meet rating agencies' debt service coverage requirements for an investment-grade rating, said Ben Watkins, director of the State Division of Bond Finance.

Any "residual," or excess settlement, payments above the amount needed for debt service on the bonds would come back to the state each year, Watkins said.

Proceeds from the sale would be placed in the Lawton Chiles Endowment Fund and used to finance health and human service programs for children, the disabled and elderly.

Unlike previous **tobacco** settlement bonds, Florida is planning a taxable, instead of a tax-exempt, offering since proceeds will be invested and not used for capital projects.

Federal tax law prohibits states from earning arbitrage profits on tax-exempt bonds by investing proceeds in higher-interest securities.

New York City became the first issuer to sell **tobacco** settlement bonds last December. Nassau and Westchester counties in New York State have also brought deals to market.

THE BOND BUYER
REGIONAL NEWS

March 23, 2000

Colorado Advances Proposal To Securitize Tobacco Money

By Darrell Preston

DALLAS - **Colorado** took a step toward issuing bonds backed by tobacco settlement proceeds Monday when lawmakers introduced legislation that would allow the state to sell debt secured by its $2.9 billion settlement. The deal could be the first federally taxable tobacco securitization.

The bill, HB 1454, appeared to have bipartisan support in both houses, according to legislative sources, and also has the backing of state Treasurer **Mike Coffman**, who proposed securitization last July. Lawmakers assigned the bill to the House Finance Committee. Coffman estimates that selling rights to the settlement could raise about $900 million.

The deal would have to be sold on a taxable basis because the bill calls for investing the bond proceeds to produce a recurring income stream that would be used to fund other programs, and state officials hope to avoid federal curbs on arbitrage profits that a tax-exempt deal would impose. The bill would make the bonds' interest exempt from state taxes.

The proposed legislation would create the **Structured Settlement Financing Corp.** to issue bonds that would be repaid with the state's settlement money. The debt service source would be limited strictly to proceeds from the settlement.

In prepared statements and other comments, legislators said they were interested in capturing as much of the settlement as possible up front, to guard against the risk that the tobacco companies will fail to pay the total $246 billion expected under the settlement over 25 years.

According to Coffman, a recent study showed that that the state might not get all the money it expects from the settlement. Just this year, revenues from the settlement are off 14% because of a decline in smoking.

"Such a sale shifts much of the risk inherent in the settlement from the State of Colorado to institutional investors, who are currently interested in purchasing up to 75% of the revenue stream," according to a statement from Coffman's office. "Institutional investors are better able to manage this risks."

Coffman's proposal last summer did not address the specifics of how to spend proceeds from selling the tobacco settlement, but it did conflict with Gov. **Bill Owens**' plan to put half the proceeds in a trust fund and spend the other half on education and health programs.

The legislation introduced this week does not require voter approval because it calls for the deal to be structured as a conduit financing.

The legislation proposes using the money for Owens' reading program, child health care programs, smoking-prevention efforts, and medication for the elderly. According to Coffman, if the $900 million securitized is invested in a "diversified portfolio of financial instruments," it could generate $56 million a year.

THE BOND BUYER
REGIONAL NEWS

March 20, 2000

House Approves OneGeorgia, But Limits Authority's Bonding Power

By Tedra De Sue

ATLANTA - A bill that would establish the **OneGeorgia Authority**, which would have the power to issue up to $1.6 billion of debt backed by the state's **tobacco** settlement, passed the **Georgia** House Wednesday, and may soon be bound for Gov. **Roy Barnes**' desk.

The House passed the measure 166 to 5, but amended the legislation to limit the authority's discretion in issuing bonds. OneGeorgia won't be able to issue debt that exceeds what is received from the settlement. The bill is now going back to the Senate for final tweaks on the amendments, just before the state concludes its 2000 legislative session on Wednesday. If the Senate signs off on the latest changes, the bill would go to Barnes by the end of June.

Georgia expects to receive $4.8 billion from its **tobacco** settlement, of which one-third, or $1.6 billion, could be disbursed by the authority over the next 25 years. The authority would have access to about $63 million in the first year, including a $23 million reserve, said **James Peoples**, the associate director of the Georgia Rural Development Council. The General Assembly would annually allocate money from the **tobacco** settlement to the authority.

The logistics of how the bonds would be issued have not been worked out, but once established, the authority will address those questions, Peoples said.

Barnes spearheaded the push for the legislation in response to the dire need for economic development in some of the state's poorest rural communities. Funding from the authority would mainly go toward infrastructure support plans, such as water and sewer projects, regional technology development, airport improvements, and tourism-related projects, Peoples explained.

"It's important that we invest in rural Georgia, and this must be a long-term, targeted effort," Peoples said.

Although OneGeorgia will act as a separate authority, it will be administratively tied to the Department of Industry, Trade, and Tourism. The authority will have a board of directors, which will be charged with approving or declining projects. The board will include the governor; the lieutenant governor; the commissioner of Industry, Trade, and Tourism; the commissioner of Community Affairs; and the director of the Office of Planning and Budget.

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THE BOND BUYER

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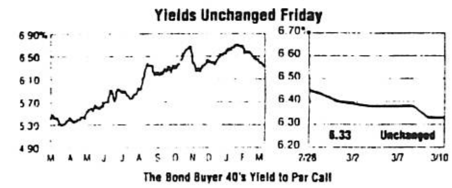
The Digest



The Bond Buyer 40's Yield to Par Call

The municipal market Friday closed out its second consecutive winning week as investors chased a thin supply of bonds, pushing yields down approximately five to 10 basis points, depending upon the maturity. *Complete market coverage by Sean Monsarrat appears on page 2*

http://www.bondbuyer.com

Fearful of Getting Burned

Some States Oppose Securitizing Tobacco Cash

By Michael B. Marois

SAN FRANCISCO — Securitizing tobacco settlement money isn't for everyone. Some of the 46 states scheduled to receive a share of the $206 billion windfall are looking at the risks and just saying no.

"As long as I'm treasurer, we aren't going to do something like that," said **Maryland** State Treasurer **Richard Dixon**, while speaking at The Bond Buyer Tobacco Settlement Symposium here Friday. "We're not putting hard debts on the backs of the taxpayers."

Dropping the money in the bank or creating a permanent trust fund makes much more sense for some states. **Mississippi**, for example, has established a perpetual trust fund with its share of the settlement in order to pay for a massive, statewide health care program. The program is designed to rid Mississippi of a grim national ranking: the state with the least healthy people.

"We didn't want to waste one dime, one penny, of this money," Treasurer **Marshall Bennett** said. "This is a wonderful opportunity to improve the quality of life for the citizens of our state."

The state's fund is rather simple, and mirrors the structure of its state employee retirement fund. When fully funded, Bennett said, the health care trust fund could generate 10% returns. The fund's investment policy is the same as the state's retirement trust fund, and has the advantage of having a high balance in the later years.

The fund will pay out an annual appropriation — smaller than investment income —for health care-related costs, such as building a network of trauma centers, providing health care to thousands of children, and hiring nurses for every school in the state.

"We hope to make Mississippi the healthiest state in the nation with the use of this trust fund over the next few years," Bennett said. However, while the state has no plans to borrow against the money, Bennett left the door open to securitizing for specific projects, like children's health clinics, once the trust fund is fully funded.

New Jersey has taken a slightly different approach. Lawmakers chose to split the money in half, with 50% dedicated to health care costs and the other 50% to paying debt service costs on bonds used to

Please turn to Tobacco page 4

Peter Lawrance
Deputy
New Jersey
Treasurer

"Nobody is talking about the downside of spending tobacco money."

Marshall Bennett
Mississippi
Treasurer

"We didn't want to waste one dime, one penny, of this money."

Lobbyists Say Faster Cap Hike Feasible

Legislation Likely For This Session

By Ola Kinnander

WASHINGTON — Chances now appear favorable that legislation can be enacted this year to accelerate the scheduled increase in the private-activity bond volume cap, municipal industry lobbyists say.

While many uncertainties remain in the last seven months before Congress plans to wrap up its session, it seems likely that one of two legislative pathways will open up for a speed-up of the volume cap increase to the greater of $75 per capita or $225 million from $50 per capita or $150 million, they say.

One possible scenario is that President **Clinton** will sign a minimum wage-related package that includes volume cap language. The House passed such legislation Thursday, and the chamber now will negotiate a compromise with the Senate, which last month passed a similar bill but without any bond provisions.

But since Clinton has threatened to veto any minimum wage proposal unless only limited tax cuts are attached, advocates of a speeded-up cap hike

Please turn to Cap page 7

N.J. Turnpike Offers Ample Choices in $1.9 Billion Deal

By David Hoffman

The preliminary official statement for the **New Jersey Turnpike Authority**'s $1.9 billion bond sale is expected to be mailed either this week or next to dealers and investors, who will have a variety of bonds and maturities to choose from in what will be the largest municipal offering so far this year.

The toll-backed issue will include a refunding and restructuring component totaling about $900 million and a new-money piece of about $1 billion. The deal is also expected to include a variable-rate series as part of the new-money piece, but the exact size of that tranche has not been worked out yet.

The bonds are expected to price the week of April 3, and **Salomon Smith Barney** Inc., which has been selected as lead manager of the fixed-rate portion, is seeking to develop substantial retail support for the issue, according to managing director **Francis Chin**.

Chin said that while the market right now is unstable, he is hopeful there will be a lot of retail interest, especially since volume has been so meager this year. He pointed to the **New York State Thruway Authority**'s $340 million bond sale last month as a positive sign, since it had strong demand from retail investors.

"I don't think we're going to get a billion of retail interest, but I think we're clearly in the $300 million to $400 million range," Chin said.

Salomon Smith Barney and

Please turn to Turnpike page 30

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Issuers Faced With Complex Choices for Tobacco Money

By Daniel Kruger

SAN FRANCISCO — Issuers are currently being bombarded with proposals from underwriting firms to do tobacco settlement-backed deals on either a taxable or tax-exempt basis, and are fielding suggestions that they use the money to do anything from funding various kinds of trust funds to completing needed infrastructure projects.

But if an issuer chooses to bond against expected future payments from the tobacco companies, the question of for what the proceeds will be used will play a determining role in how that deal is structured, according to panelists speaking here Thursday at The Bond Buyer Tobacco Settlement Symposium.

For **New York City**, the decision to securitize came from an obvious need to continue funding its capital program in the face of a looming debt cap and in the face of a state Legislature none-too-ready to authorize additional debt for the city, said **Mark Page**, general counsel for the city's office of management and budget.

The city turned to securitization because it needed the money up front, the proceeds were new and not committed to any particular budget line, a non-recourse loan would not count against its debt cap, and other ways of monetizing the settlement had a higher long-term cost, Page said.

New York, or any other issuer, might have been able to auction off the rights to receive payments under the Master Settlement Agreement between the tobacco companies and 46 states, he suggested. The drawback of that kind of deal would have been the loss of payments that have no quantifiable present value, such as settlement payments due after 2040, but which will be a valuable source of revenue in the future, Page explained.

Gov. Jim Gilmore
Virginia

For the city, making the decision to issue the bonds on a tax-exempt basis was not difficult because funding the city's capital program complies with the provisions of the federal requirements for tax-exempt bonds. But, as underwriting firms are pitching the idea of securitization to issuers with different needs and for different purposes, the question of what tax structure to use becomes a bigger issue, panelists said.

James F. Haddon, a managing director with **Salomon Smith Barney** Inc., which ran the books on the three tobacco bond deals issued to date, suggested that issuers that want to divest themselves of tobacco industry risk or set up a trust fund with their settlement proceeds should securitize their settlement payments on a taxable basis.

A trust funded by securitization proceeds will be larger than one funded on a receive-as-you-go basis, he said, while issuing on a taxable basis would give issuers a broader range of options on how to invest the proceeds than a tax-exempt borrowing would. Taxable deals, moreover, may offer the potential to sell bonds to audiences usually not available to municipal issuers, such as European investors, he added.

Issuers could also consider securitizing in separate taxable and tax-exempt tranches, Haddon said. Marketing the different tranches would not necessarily pose greater difficulties because of the varied audience of buyers that participated in the first three deals, which included insurance companies, crossover buyers, and other nontraditional municipal investors, he said.

But **Marvin Markus**, a managing director with **Goldman, Sachs** & Co., said attracting European investors would be difficult because they have remained cool to asset-backed offerings, even when presented with a traditional ABS structure, such as credit card receivables. Investors in taxable debt are also pickier than their tax-exempt counterparts because they have access to a broader range of debt, and so can more easily skip a deal they are not entirely comfortable with, he added.

On the tax-exempt side, **Eric Altman**, a managing director with **J.P. Morgan Securities** Inc., showed off a tax-exempt structure where issuers could borrow at a lower cost and invest the proceeds in a trust fund invested in tax-exempt securities. The plan, he said, would give borrowers a good deal of flexibility in the use of the fund's earnings, as well as potentially freeing up future funds that might have gone for pay-as-you-go financing that could be used for other purposes, including establishing an unrestricted trust fund.

Mark Page
N.Y.C. General Counsel

Officials in **Erie County**, N.Y., have decided that the county should securitize its expected payments under the MSA, but have not yet concluded whether the offering should be on a tax-exempt basis, said **Joseph Passafiume**, director of the county's division of management, budget, and finance.

Even with an aggressive issuer and a well-considered plan, other hurdles remain.

Virginia was close to issuing tax-exempt tobacco settlement bonds, but opposition from the General Assembly blocked the deal's progress, said **Mary Morris**, the state's treasurer.

The state had many reasons for wanting to pursue a securitization, including the need to fund Gov. **Jim Gilmore**'s ambitious road program and a desire to minimize the state's exposure to risk of tobacco company nonpayment, she said.

But with a part-time citizen-legislature that had a hard time mastering the intricacies of the complex transaction and a tobacco-state population "inclined to discount industry risk," Virginia officials could not get the legislature to sign off on the proposal this year, Morris said. That is one possibility it may be impossible to structure around. ❑

3

Rating Agencies Say Tobacco Payments Could Be a Boon to State Credit Profiles

By Daniel Kruger

SAN FRANCISCO — Payments from the national tobacco settlement could help a state's overall credit profile, according to rating agency officials speaking here Friday at The Bond Buyer's second annual tobacco settlement symposium.

"The money is going to tend to go where it is really most needed," said **Claire G. Cohen**, vice chairman with **Fitch IBCA** Inc.

It may, however, be difficult for many states to ascertain what kinds of programs will receive funding from tobacco settlement dollars, because the strong economic performance that most states have enjoyed during the prolonged national expansion has obscured many of their trouble spots, Cohen said.

While money to be paid under the terms of the Master Settlement Agreement between the tobacco companies and 46 participating states will help their overall credit profile, that assistance by itself is "not enough to be moving any ratings up or down," she said.

As states examine the condition of the tobacco companies in an effort to understand the long-term outlook for their settlement receipts, many are considering securitization as a way to diversify the risk of the payments, panelists noted.

Steven Murphy, a managing director with **Standard & Poor's**, said the agency does not view tobacco bonds sold through a bankruptcy-remote issuer as being anything close to a "moral obligation" of a state.

Murphy addressed what he thinks could be the most important consequence of securitizing settlement payments. States, he said, would not be able to turn to the payments as an "in-pocket reserve option" in the event that they encounter financial difficulties — difficulties that could have been addressed through a securitization in the future.

But holding onto that option could have a price, he added. If issuers move forward with securitizations of their own while another issuer waits, Murphy said the holdout may encounter a market that has reached the saturation point on tobacco settlement debt.

States have benefited from the timing of the settlement agreement, he said.

Had the MSA been reached during the recession of the early 1990s, many more states might have rushed to fill the holes drilled in their budgets by declining revenues, rather than raising taxes or cutting spending. In good economic times, states have been able to take a more thoughtful approach, he explained

As the first two securitizations by **New York City** and **Nassau County**, N.Y., came to market, many industry professionals took note of how each agency gave each issuer different ratings, and of how each agency's rating differed on the two deals, with the city's deal garnering somewhat higher ratings.

Those differences reflect the evolving debate about the future health of the tobacco industry and how different bond structures will work, rather than whether one agency or another has a right or wrong answer to rating questions, said **Michael Kanef**, a senior vice president with **Moody's Investors Service**. ❑

Tobacco 1 cont

Continued from page 1

fund a large court-mandated school construction program.

"No, we haven't securitized the settlement, but we are going to be selling a lot of school bonds in the coming few years," said deputy state treasurer **Peter Lawrance**.

New Jersey is debating how to use the 50% dedicated to health care. Part of the debate centers on whether to spend the money on individual patients or to improve service at hospitals and clinics. The state's officials, according to Lawrence, have said very little about risks involved in counting on the money as a continuing revenue source.

"Nobody is talking about the downside of spending tobacco money," he said. "There is a lot of risk. No corporation would hold a receivable like this."

He also predicted that efforts by the investment banking industry to sell the concept of securitization to issuers would have an interesting side effect: It would prompt issuers to expect the same type of risk analysis involved with other types of financings.

"Investment bankers have gone t great lengths to explain to us state trea surers how to measure and evaluate th risk," Lawrence said. "When we go o to build a dormitory or something, w may expect that same sort of effort."

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THE BOND BUYER
REGIONAL NEWS

March 10, 2000

State Finance Officials Push Tobacco Debt

By Daniel Kruger

SAN FRANCISCO - Building support for complex tobacco securitization deals among politicians who need to approve them can be an uphill battle, but a panel of issuer officials said here yesterday that they are not giving up hope. Both the treasurers of **Ohio** and **Nevada** told The Bond Buyer Tobacco Settlement Symposium they will continue to push lawmakers to authorize deals.

The idea of transferring the risk of future payments from tobacco companies that face myriad political and legal challenges - at least one of which raises the specter of company bankruptcies - has been aggressively pushed by public finance bankers, bond counsel, and some state treasurers. But many state legislatures and governors have been reluctant for many reasons to agree to a bond plan, panelists said.

"I think it's absolutely, stunningly in the states' interest" to divest the risk of tobacco company non-payment through a securitization, said Nevada Treasurer **Brian Krolicki**.

Krolicki also called on public finance professionals to approach their securitization pitches with greater consideration for the special needs of particular issuers. Broker- dealers seem to be "failing to actually tailor these transactions to the actual needs of the state," he said.

"We're looking for assistance in figuring out how to decontaminate the money or rearrange how the settlement was established, so I don't have the legal or constitutional preventions that I think I currently might or

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do have," Krolicki said, referring to restrictions he faces in how the payments can be invested.

"The politics and the hypocrisy" of a state relying on tobacco company payments under the Master Settlement Agreement while simultaneously attempting to curb smoking and bashing the industry - a situation Krolicki described as "uncomfortable" - is an important part of the appeal of securitization, he said. Nevada's Legislature meets on a biennial basis and he intends to use the time between sessions to develop a bond plan that gains the acceptance of the state's "citizen-legislators," who often have trouble understanding the fundamental concepts of securitization, he added.

In Ohio, the politics of the competing needs of various interest groups have dominated the debate over how to use the settlement proceeds, according to Treasurer **Joseph T. Deters**.

While the risk profile of tobacco company payments exceeds standards of what is tolerable for the state, it has been difficult to win over Gov. **Robert Taft** and state legislators, who would need to approve any securitization.

Taft wants to use a substantial portion of the MSA payments for education spending, and other interest groups have been successful in staking out claims on smaller shares of the revenues. "Basically, every group that thought they could get their finger in the pie got their finger in the pie," Deters said.

But "in Ohio, securitization is not a dead issue," he added. Groups that face a wait for settlement payments they have been promised several years down the road may like to see it "in their lifetime," and so may become advocates of securitization, Deters said. He urged public finance bankers to concentrate their pitches to those groups in order to build political pressure in favor of bonding against settlement payments.

To date, three **New York State** issuers have sold a total of $1.1 billion of tobacco settlement bonds. Some analysts have estimated that municipal bond mutual funds and other investors will have the capacity to buy between $10 billion and $15 billion of tobacco bonds. Some issuers are concerned that if they do not issue their bonds while the market still has the appetite for them, they may miss an important opportunity.

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Having statutory flexibility is important for issuers who might want to sit on the fence a while longer, panelists said. **Susan Leal**, treasurer of **San Francisco**, said the city has no immediate plans to securitize its share of the settlement, but added that it's comfortable with waiting to make a decision on a bond plan because it does not need state legislation to move forward.

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THE BOND BUYER
REGIONAL NEWS

February 24, 2000

Tobacco Debt Bill Clears Georgia Senate With Ease

By Robert Whalen

ATLANTA - The **Georgia** Senate Tuesday approved legislation that would enable the state to securitize up to one third of its expected $4.8 billion **tobacco** settlement.

The bill is being heralded by Gov. **Roy Barnes** as a tool to spur rural development. It was given a 50-to-2 stamp of approval and sent to the House without amendment, where it was assigned yesterday to the Appropriations Committee, according to the House clerk's office.

The legislation would create the **OneGeorgia Authority**, which could eventually issue up to $1 billion of debt backed by the **tobacco** settlement receipts.

Public finance professionals have been watching the developments with interest, and preparing to make a run at securing the underwriting business generated if the measure is ultimately passed into law. Still, the legislation is somewhat vague and the mechanics of Barnes' plan have not yet been sharply defined, market participants said.

Calls placed to the governor's office were not returned by press time.

If the legislation becomes law, the agency would help finance water and sewer projects, expansion and renovations at local airports, and direct funding towards some regional industrial parks. Some of the **tobacco** cash might also flow to lesser-developed communities to help them provide financial enticements to lure and

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maintain businesses.

Barnes has lamented the fact that while much of Georgia is thriving economically, the state continues to be riddled with pockets of fiscal despair. Some areas in Georgia have poverty levels that put them among the nation's poorest communities, he has asserted. Barnes is hoping that OneGeorgia will be an equalizing force.

Under the bill, the newly created authority would be tucked under the management and operational umbrella of the **Georgia Community Housing & Financial Affairs Authority**. OneGeorgia would be directed by a new board of directors that would be made up of the governor; lieutenant governor; commissioners of the department of industry, trade, and tourism and the department of community affairs; and the director of the office of planning and budget.

The governor made a similar push last year when he successfully championed the **Georgia Regional Transportation Authority**, which has the power to issue up to $2 billion of debt. Barnes' prominent hands-on role in overseeing the would-be OneGeorgia Authority mirrors the part the first-term Democrat will play in GRTA's operations.

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New Mexico Considers Jumping on Tobacco Debt Bandwagon

By Darrell Preston

DALLAS — **New Mexico** lawmakers have joined the growing number of state legislatures considering issuing bonds backed by tobacco settlement funds.

HB 449, introduced in the Legislature last week, would let the state issue tobacco settlement bonds through the **New Mexico Finance Authority**. Under the legislation, the bonds would be special limited obligations of the authority, payable solely out of tobacco proceeds set aside for debt service.

Under the bill introduced by Rep. **Ben Lujan**, D-Santa Fe, the state would have no additional liability, nor would it be required to use other revenue or tax sources to repay the bonds if tobacco settlement proceeds come in too low to cover debt service. The bill would prohibit the state from altering its settlement arrangements in any way that would be detrimental to debt service. The state could leverage up to 40% of the money it expects to receive annually.

The program would be similar to the state's severance tax bonding program and would allow the state to borrow $30 million in fiscal 2002, with the amount declining in subsequent years, according to an analysis from the New Mexico Department of Finance and Administration. After about 10 years, the annual capacity would stabilize at about $13 million.

The legislation requires lawmakers to pass additional bills authorizing specific bond issues to be backed with the settlement proceeds.

"This bill creates a structure for this type of debt," said **Arley Williams**, who follows bond bills for the state's Legislative Finance Committee. "This sort of lays out the concept, but additional legislation would be needed to actually issue the bonds."

Whether lawmakers, and ultimately Republican Gov. **Gary Johnson**, will support bonding the tobacco settlement remains to be seen. The question likely to affect the outcome is, how will settlement proceeds be spent?

As introduced, the legislation doesn't list specific types of projects that could be bonded using the settlement funds. The proceeds of the settlement now go the state general fund. The program would divert $3.8 million from the general fund allocation initially, increasing that figure to $20 million a year by 2025, according to the finance department analysis.

A host of other bills introduced this session address the specifics of how to use the proceeds. And Johnson wants to devote the funds to smoking cessation programs, according to his spokeswoman, **Diane Kinderwater**.

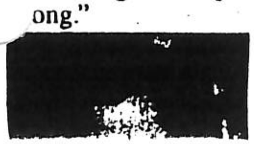
Over 25 years the program would create $425 million of bonding capacity while reducing distributions to the state's general fund by about $250 million during the same period. Overall, the state expects to receive about $45 million a year over the life of the settlement.

Florida

Continued from page 1

ers must address. Nevertheless, the state is clear on what to do with the proceeds, he said.

"Our objective is to tailor a financing to produce a more durable, viable, long-term funding source to protect Florida's most vulnerable citizens," Watkins said. "The numbers and the possible structure are still very preliminary, [but] our strategy towards achieving our objectives is pretty far along."



Under the Bush plan, the income from the tobacco financing one-time payment.

"Securitization works best when you've got a reasonable degree of certainty. On the earlier tranches, which have firm revenue projections, you'll be able to get an investment-grade rating," the banker explained. "But when you get out on the long end, you could be looking at thin air. Somebody will always be there to buy the thin air, but you might be giving it away at that point."

The issuer, in such a case, has little to lose by holding on to that unknown portion of the settlement and therefore doesn't need to give away the last dollar, the banker said. Under Bush's plan, the discount is determined by the borrowing rate, Watkins said.

Although the market is becomingly

Pennsylvania Governor Calls for New GOs, Avoids Tobacco Bonds

By David Hoffman

Pennsylvania Gov. **Tom Ridge** proposed authorizing $317 million of new general obligation bonds for various capital improvements throughout the state — the only new debt called for in the budget address he made yesterday before a joint session of the General Assembly.

The bonds — which would be sold on an as-needed basis — were included in the $602 million capital budget, and are not expected to be sold this fiscal year. The state, however, plans to issue $976 million of general obligation debt this fiscal year made available under prior appropriations, said **Arthur Heilman**, director of the state's bureau of revenue, grades for the state.

All the major rating agencies currently rate Pennsylvania in the double-A category. **Standard & Poor's** awarded it its most recent upgrade, to AA from AA-minus in late 1998. **Moody's Investors Service** raised its rating on Pennsylvania's debt to Aa3 from A1 in 1997. **Fitch IBCA** Inc. rates the state's outstanding general obligation debt AA.

After years of conservative budgeting, however, Ridge's plan contained some new spending initiatives and tax cuts which he said the state could easily afford, given its now $1.1 billion surplus.

"At its core our budget is still about the people behind the numbers," Ridge said. "It's about helping kids in substandard

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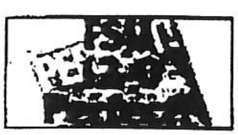

Published Sunday, January 30, 2000, in The State.

S.C. shoud take all tobacco money now

By DARLA MOORE
Special to The State

As a result of the settlement reached between the tobacco industry and state attorneys general in November of 1998, South Carolina became the recipient of a revenue stream pegged at $2.3 billion over the next 25 years.

Last month, the first installment of $29 million arrived. Now, we must decide what to do with the rest.

In accepting the proceeds from this settlement -- the largest financial recovery in this nation's history -- we in South Carolina have essentially two choices, choices this newspaper has likened to those presented a jackpot lottery winner, but which are far more complex.

We can accept the fluctuating payments from the industry as they come in over the next 25 years and beyond. Or we can securitize those payments and take a discounted lump sum today that could then be either spent immediately on governmental projects or invested.

I can assure you as someone who has spent her career in the financial markets and who has enlisted the best minds on Wall Street in this assessment, there is no contest between these two options. If our Legislature is to exercise its "prudent person" obligations, they must choose to securitize, and that is exactly what Gov. Jim Hodges is recommending. Otherwise, we handcuff this state's fortunes to those of the beleaguered tobacco industry for years to come, and that is, quite simply, fiscally irresponsible.

The State has argued that we should take the settlement

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The State has argued that we should take the settlement payments as they come, saying it lacks confidence in the Legislature's ability to spend a large lump sum payment judiciously. I must concede I share the editors' opinion of our legislators' spending record. But, to my mind, that's simply another argument for taking the money up front. It's harder to misplace $750 million (the approximate amount we would raise in a tax-exempt securitization) than the $75 million or so we would get each year per the agreement.

The merits of the case for securitization are numerous but they boil down to one central argument. As a producing state that is already "long" on tobacco, it would be foolhardy to take on more of that besieged industry's risk for the next 25 years. In fact, no state should take this risk. The settlement payments, as presently structured, are tied to a series of calculations that adjust future payments for not only inflation but also changes in cigarette volumes sold by the participating companies -- Philip Morris, RJ Reynolds, Brown & Williamson and Lorillard.

Given that domestic consumption of cigarettes declined 4.5 percent in 1998 and nearly 10 percent this past year, it is safe to assume that these volume adjustments will continue to act as a drag on future settlement payments -- indeed, on the long-term viability of the industry. When you consider the hundreds of millions of dollars that federal and state governments are spending to discourage smoking, the exquisite irony of our situation becomes evident. We are the beneficiaries of a settlement that, in effect, taxes a behavior that we are actively striving to eliminate. If we don't securitize and diversify our settlement proceeds, we work against our own financial best interests in the future with every step we take to curb smoking.

And we haven't even considered the litigation risk this industry still faces. While the Master Settlement Agreement resolved the suits pressed by state and local governments, it did not close the door on individual class action claims (such as the Engel case in Florida) or federal cases (such as the Medicare reimbursement suit the Clinton administration has threatened).

Securitization allows us to realize funds currently and to offload future tobacco industry payment risk to professional investors in this area.

Letting $2.3 billion or its present value equivalent ride on a single industry is imprudent. Letting it ride on an industry under fire is fiscally irresponsible, especially when there are reasonable -- quite possibly tax-exempt -- alternatives available. (Recently, Morgan Stanley Dean Witter, in

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discussions with its attorneys, devised a structure that allows a state to securitize settlement receivables on a tax-exempt basis without knowing which infrastructure projects such a bond offering would finance, as long as the money is invested in municipal securities.)

A number of states have already arrived at the conclusion to securitize, including Virginia, home to Philip Morris, and Oregon. Numerous other states have proposed this remedy, and Gov. Hodges is seeking the Legislature's support in pursuing this solution here in South Carolina.

We should endorse his proposal as the only sound course of action, and we should act now. To use an apt metaphor: You can't buy fire insurance when you see smoke.

Ms. Moore, a Lake City native, is CEO of Rainwater Investments Inc., based in Ft. Worth, Texas.

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THE BOND BUYER
REGIONAL NEWS

December 30, 1999

Southern Governors Flirt With Idea of Tobacco Securitization

By Elizabeth Albanese and Christopher McEntee

ATLANTA - With an eye toward their 2000 legislative agendas, a few Southern governors are looking closer at how they want to spend proceeds of the **tobacco** settlement - including some governors who are taking a greater interest in debt securitization.

Governors of **South Carolina** and **Alabama** are examining securitization as a means to capture a lump-sum payment from **tobacco** companies. And while **Arkansas** Gov. **Mike Huckabee** this week unveiled a plan to spend the settlement without securitization, House Speaker **Bob Johnson** is calling for a plan to reduce the exposure to potential **tobacco** industry bankruptcies.

Overall, the stage appears set for debate in three states about how to spend proceeds and about whether securitization or leverage will enter into long-term plans.

Monday, Huckabee announced a proposal to spend $1.6 billion that his state is expected to receive over the next 25 years from the settlement of a lawsuit against the nation's largest **tobacco** companies.

"If we can build a consensus in the House and Senate, I will call a special session soon to adopt this plan," Huckabee said.

Under the plan, the initial $73 million of the settlement -

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the projected payment for the first two years - would be placed in a trust fund, with $5 million added each year thereafter for the duration of the settlement's pay-out.

"The trust fund is not set aside for any specific use as of yet," said Huckabee's spokesman, **Rex Nelson.** Nelson said it is too soon to tell whether the state would opt for bond securitization or for a bond issue backed by the trust fund.

Huckabee would spend most of the trust fund's income for **tobacco**-use prevention programs, as well as other health education and research projects. Arkansas ranks third in the nation for **tobacco** use, and has the second-highest rate of lung cancer in the country.

But not all Arkansas officials believe this plan is a sound one.

House Speaker Bob Johnson, who formed the House **Tobacco** Settlement Task Force, has been a vocal proponent of securitizing the settlement, or selling the right to collect the payments over time in exchange for an up-front, lump-sum payment. Johnson said he favors securitization because it would remove the risk that dwindling **tobacco** sales or an industry bankruptcy could disrupt the flow of payments.

In South Carolina, Gov. **Jim Hodges** is considering whether to seek a securitization of his state's $2.2 billion **tobacco** payment, which could yield between $750 million and $1 billion if the money is discounted on a present-value basis.

The Democratic governor will release his fiscal 2001 budget next week, which will include provisions for how he would like to spend the **tobacco** proceeds, and the idea of securitization is a promising option, aides say. "The governor likes the idea" of getting the money up-front, said executive budget coordinator **Frank Rainwater**. "It's something we are exploring," he said.

Hodges, like most governors, has heard the pitch for securitization from a number of investment banks. But debates on the topic between the executive and legislative branch will likely focus on how to spend proceeds first, before getting into the procedure of a financing, Rainwater added.

For the time being, **Alabama** Gov. **Don Siegelman** is standing by his proposal to funnel a portion of the settlement to a trust fund, which would in turn be leveraged to pay for economic incentives packages, like the one recently offered to **Honda Motor** Co. for locating a plant near Birmingham. Under this plan, the state would treat the annual settlement payments like any other recurring revenue stream.

But securitization has not been ruled out, according to assistant state finance director **Porter Banister**, who said that Siegelman is still developing next year's spending proposal. Alabama is also awaiting state-specific finality as it pertains to the settlement agreement. "We are looking at all the options ... it would be unwise to bury our head in the sand," Banister said.

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THE BOND BUYER
WASHINGTON

July 1, 1999

Finite Demand May Exist for States' Similarly Structured Tobacco Bonds

By Daniel Kruger

The likelihood that bonds backed by payments from the national **tobacco** settlement will have similar structures, despite being sold by different issuers, may produce a "finite" market for such debt, according to one municipal credit analyst.

Because investors are likely to view **tobacco** bonds as a single kind of risk, each state's issuance will be viewed similarly, producing $10 billion to $15 billion in total demand, **Robert Muller**, an analyst with **J.P. Morgan Securities** Inc. said yesterday at The Bond Buyer **Tobacco** Settlement Symposium.

Because demand could be finite and the investor community will have to scale a learning curve before becoming comfortable with the securities, municipalities that want to sell **tobacco**-backed debt will have to walk a tightrope when deciding when to issue their bonds, Muller said.

Because yields on bonds with new structures are typically higher due to market unfamiliarity, "I'm not sure you want to be the first one to issue debt," he said.

"That learning curve may mean that the first people are guinea pigs," as investors are likely to want somewhat higher yields on the initial deals, according to Muller.

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While some municipalities may want to wait two or three years before selling **tobacco** bonds, "people who want to issue debt [now] or have to issue debt will use up a lot of that available investor capacity," Muller said.

Already, **New York City** has said it will sell $2.5 billion of **tobacco** bonds during its next four fiscal years; **Oregon** has announced plans to issue $200 million in **tobacco** debt; and **Nassau County**, N.Y., is planning a $170 million **tobacco** bond sale. Other communities have also begun examining the process of issuing **tobacco**-backed bonds.

While analysts are beginning to make judgments about how municipal bond investors will approach **tobacco** bonds, which will be sold with structures more akin to the asset-backed market, many things remain unclear, analysts said.

Cadmus Hicks, an analyst with **Nuveen Advisory** Corp., said there are several "paradoxes" within the Master Settlement Agreement between the states and the **tobacco** companies that make it harder to gauge how the settlement will affect any **tobacco**-backed municipal debt over time.

Hicks also said he has doubts the model statute included in the MSA, with the recommendation that each state enact it or some version of it, is constitutional. He pointed to the model statute's provision that **tobacco** manufacturers that are not participating in the settlement must annually place money into escrow accounts that will be used to fund any future liability these companies are found to have, with the companies retaining access to the funds after 25 years.

Hicks raised the possibility that a company "out of sheer cussedness" could decide to end its participation in the settlement and then challenge the legality of the model statute.

The mandated escrow account could be seen as "an undue taking without due process, that it presupposes one is guilty before being proven innocent," Hicks said. "Subtle features like that might be of some concern to people."

The potential for a **tobacco** company to file for bankruptcy also remains a major concern, said **Brad**

Gewehr, first vice president of municipal research at **PaineWebber** Inc.

If a bankruptcy court were to rule the settlement constitutes an "executory contract," and a **tobacco** company were to decide to abrogate the MSA to "wait and see if we can cut a better deal, that would be the disaster scenario," he said.

But bonds issued by municipalities that are backed by **tobacco** settlement payments still have less risk than the unsecured credits of the companies themselves, "because there are a lot more scenarios in which you can envision getting paid under the MSA than if you had simply a claim against the corporation itself," Gewehr said.

John Hallacy, managing director of municipal bond research with **Merrill Lynch** & Co., said that the taxable bond market prices the risk of **tobacco** company corporate credits at rates well above treasury bonds.

Long-term insured tax-exempt debt backed by the settlement may be priced 20 basis points cheaper than insured debt, according to Hallacy. "For the municipal market, that's a pretty big spread."

Such spreads may attract crossover buyers, depending on the ratio between municipals and treasuries, he said.

Tobacco Free Kansas Coalition, Inc.

Testimony
Shelby Smith, Lobbyist, Tobacco Free Kansas Coalition
House Appropriations Committee
April 19, 2000
Senate Sub HB 2559

The Tobacco Free Kansas Coalition consists of 12 professional health associations with more than 711,000 members. Our advocacy for a comprehensive tobacco prevention and cessation program is not self-serving — that is, none of the money would come to the coalition of any of the member associations.

The lawsuit and the Master Settlement Agreement to recoup Medicaid costs caused by tobacco related illnesses and to stop kids from smoking did not contemplate a one-time jackpot. Neither did the 1999 Kansas Legislature. We feel: the 1999 law should be re-examined and the 1998 law reconsidered. The challenge you face is complex with far ranging consequences. It cannot be addressed responsibly in a day or two.

We understand the need for urgency on authorizing legislation — the limited market, negotiated sale, private placement, etc. However, our concern is how will the bond proceeds be distributed — how will the money be spent? Kansans statewide also are concerned about how the money is being spent (see Attachment A).

Thank you.

TOBACCO FREE KANSAS COALITION, INCORPORATED OFFICERS

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ATTACHMENT A

KANSAS VOTERS WANT TOBACCO SETTLEMENT TO BE USED FOR TOBACCO USE PREVENTION

A statewide telephone poll, conducted on April 4, 5 and 6, 2000, by Jayhawk Consulting Services, asking 500 Kansas voters how they believe the tobacco settlement money should be spent reveals:

- 77 percent of the voters surveyed believe some of this money should be spent to reduce smoking among Kansas kids.
- 39 percent favor using at least one-half the money for reducing smoking among youth.
- Only 23 percent think the money should be used to support general state government operations.
- 59 percent are opposed to using this money to support government operations.

The survey, commissioned by the Tobacco Free Kansas Coalition, has a three to four percent margin of error.

While the poll clearly shows strong support for spending the money for the purpose of stopping kids from smoking (77 percent statewide), there are differences within the state. By Congressional district, the lowest percentage, at 63 percent, was in the 4th District and the highest, at 89 percent, was in the 3rd District, with the 1st District at 71 percent and the 2nd District at 87 percent.

Contact:
Shelby Smith
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fective date of this act. Any early retirement incentive program established as provided in this section after the effective date of this act shall conduct the actuarial valuation as required in this section within six months of such establishment and at least once every three years thereafter. Each actuarial valuation required by this section shall be reported to the joint committee on pensions, investments and benefits by such board *no later than January 1, 2000.*

(b) The board of education of any school district shall not commence any new early retirement incentive programs from the effective date of this act until July 1, 2000.

(c) An early retirement incentive program established pursuant to subsection (a) prior to the effective date of this act is hereby declared valid.

Sec. 3. K.S.A. 1998 Supp. 71-212 and 72-5395 are hereby repealed.

Sec. 4. This act shall take effect and be in force from and after its publication in the Kansas register.

Approved May 13, 1999.

Published in the *Kansas Register* May 20, 1999.

CHAPTER 172

SENATE Substitute for HOUSE BILL No. 2558

AN ACT concerning the disposition of certain moneys for the benefit of children; disposition of tobacco litigation settlement proceeds; creating the Kansas endowment for youth fund, the children's initiatives fund and the children's initiatives accountability fund; establishing the Kansas children's cabinet; prescribing certain powers, duties and functions; providing for the investment and management of such funds; abolishing the children's health care programs fund; amending K.S.A. 75-7021 and K.S.A. 1998 Supp. 20-367, 38-1808 and 38-1901 and repealing the existing sections; also repealing K.S.A. 1998 Supp. 38-2008.

Be it enacted by the Legislature of the State of Kansas:

New Section 1. (a) There is hereby established in the state treasury the Kansas endowment for youth fund which shall constitute a trust fund and shall be invested, managed and administered in accordance with the provisions of this act by the board of trustees of the Kansas public employees retirement system established by K.S.A. 74-4905 and amendments thereto.

(b) All of the moneys received by the state pursuant to the tobacco litigation settlement agreements entered into by the attorney general on behalf of the state of Kansas, or pursuant to any judgment rendered, regarding the litigation against tobacco industry companies and related entities, shall be deposited in the state treasury and credited to the Kansas

endowment for youth fund. All such moneys shall constitute an endowment which shall remain credited to the Kansas endowment for youth fund except as provided in this section or in section 2 and amendments thereto for transfers to the children's initiatives fund. Expenditures may be made from the Kansas endowment for youth fund for the payment of the operating expenses of the Kansas children's cabinet and the board of trustees, including the expenses of investing and managing the moneys, which are attributable to the Kansas endowment for youth fund. All moneys credited to the Kansas endowment for youth fund shall be invested to provide an ongoing source of investment earnings available for periodic transfer to the children's initiatives fund in accordance with this act. All expenditures from the Kansas endowment for youth fund shall be made in accordance with appropriation acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the chairperson of the board of trustees of the Kansas public employees retirement system or by the chairperson's designee.

(c) On the effective date of this act, the director of accounts and reports shall transfer all moneys credited to the children's health care programs fund to the Kansas endowment for youth fund and the children's health care programs fund is hereby abolished. On and after July 1, 1999, whenever the children's health care programs fund, or words of like effect, is referred to or designated by statute, contract or other document, such reference or designation shall be deemed to apply to the Kansas endowment for youth fund.

New Sec. 2. (a) There is hereby established in the state treasury the children's initiatives fund which shall be administered in accordance with this section and the provisions of appropriation acts.

(b) All moneys credited to the children's initiatives fund shall be used for the purposes of providing additional funding for programs, projects, improvements, services and other purposes directly or indirectly beneficial to the physical and mental health, welfare, safety and overall well-being of children in Kansas as provided by appropriation or other acts of the legislature. In allocating or appropriating moneys in the children's initiatives fund, the legislature shall emphasize programs and services that are data-driven and outcomes-based and may emphasize programs and services that are generally directed toward improving the lives of children and youth by combating community-identified risk factors associated with children and youth becoming involved in tobacco, alcohol, drugs or juvenile delinquency. Programs funded must have a clearly articulated objective to be achieved with any funds received. As a condition precedent to funding, every program must demonstrate that the program's design is supported by credible research, that the program as implemented will constitute best practices in the field, that data is available to benchmark the program's desired outcomes and that an evaluation and assessment

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component is part of the program design and that such evaluation is capable of determining program performance, needed program modifications to enhance performance, ways in which the program could be modified for transfer to other venues, and when performance no longer justifies funding. Community-based programs must demonstrate the availability of sufficient community leadership and the capacity to appropriately implement and administer the program that is funded. Programs which require community mobilization to successfully achieve program objectives must demonstrate a specific strategy to obtain the requisite levels of community mobilization. Moneys allocated or appropriated from the children's initiatives fund shall not be used to replace or substitute for moneys appropriated from the state general fund in the immediately preceding fiscal year.

(c) All expenditures from the children's initiatives fund shall be made in accordance with appropriation acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved in the manner prescribed by law.

(d) (1) On July 1, 2000, or as soon thereafter as moneys are available, the director of accounts and reports shall transfer, in the following order of priority, (A) first, $70,740,000 from the Kansas endowment for youth fund to the state general fund and (B) second, $30,000,000 from the Kansas endowment for youth fund to the children's initiatives fund.

(2) On July 1, 2001, or as soon thereafter as moneys are available, the director of accounts and reports shall transfer $40,000,000 from the Kansas endowment for youth fund to the children's initiatives fund and shall transfer $10,000,000 from the Kansas endowment for youth fund to the state general fund.

(3) On July 1, 2002, or as soon thereafter as moneys are available, the director of accounts and reports shall transfer $45,000,000 from the Kansas endowment for youth fund to the children's initiatives fund.

(4) On July 1 of each fiscal year thereafter, or as soon thereafter as moneys are available, the director of accounts and reports shall transfer from the Kansas endowment for youth fund to the children's initiatives fund the amount equal to 102.5% of the amount transferred from the Kansas endowment for youth fund to the children's initiatives fund pursuant to this section during the immediately preceding fiscal year.

(5) If the amounts to be received during any fiscal year under the tobacco litigation settlement agreements entered into by the attorney general on behalf of the state of Kansas, or pursuant to any judgment rendered, regarding the litigation against tobacco industry companies and related entities, are reduced or increased from the amount that was anticipated to be received for such fiscal year, as of the time the settlement agreements were entered into, then the legislature may adjust the amount otherwise provided by this subsection to be transferred from the Kansas endowment for youth fund to the children's initiatives fund for such fiscal year by including provisions in appropriation acts for such fiscal year that proportionally reduce or increase, as appropriate, the amount otherwise provided by this subsection to be transferred from the Kansas endowment for youth fund to the children's initiatives fund for such fiscal year. In addition, for purposes of circumstances related to the investment of moneys in the Kansas endowment for youth fund or other circumstances or matters deemed sufficient by the legislature, the legislature may adjust the amount otherwise provided by this subsection to be transferred from the Kansas endowment for youth fund to the children's initiatives fund for any fiscal year by including provisions in appropriation acts for such fiscal year that proportionally reduce or increase, as appropriate, the amount otherwise provided by this subsection to be transferred from the Kansas endowment for youth fund to the children's initiatives fund for such fiscal year.

(e) It is the intent of the legislature that, except as provided by this section, no amounts shall be transferred from the Kansas endowment for youth fund to the children's initiatives fund or to any other fund during any state fiscal year.

(f) On or before the 10th day of each month, the director of accounts and reports shall transfer from the state general fund to the Kansas endowment for youth fund interest earnings based on (1) the average daily balance of moneys in the children's initiatives fund for the preceding month and (2) the net earnings rate of the pooled money investment portfolio for the preceding month.

New Sec. 3. (a) The Kansas children's cabinet established by K.S.A. 1998 Supp. 38-1901 and amendments thereto shall advise the governor and the legislature regarding the uses of the moneys credited to the children's initiatives fund.

(b) The Kansas children's cabinet shall review, assess and evaluate all uses of the moneys in the children's initiatives fund. The Kansas children's cabinet shall study and shall initiate studies, assessments and evaluations, by contract or otherwise, through institutions of higher education and other appropriate research entities to identify best practices and to measure and otherwise determine the efficiency and efficacy of practices that are utilized in programs, projects, improvements, services and other purposes for which moneys are allocated or appropriated from the children's initiatives fund. The costs of such reviews, assessments and evaluations shall be paid from the children's initiatives accountability fund.

(c) There shall be conducted performance audits and other audit work by the legislative post auditor upon request by the Kansas children's cabinet and as directed by the legislative post audit committee in accordance with the provisions of the legislative post audit act. The purpose of such performance audits and other audit work shall be to provide interested parties with the program evaluation and research needed to make informed decisions for the uses of moneys credited to the children's initiatives fund. The auditor to conduct such performance audit or other audit work shall be specified in accordance with K.S.A. 46-1122 and amendments thereto and if the legislative post audit committee specifies under such statute that a firm, as defined by K.S.A. 46-1112 and amendments thereto, is to perform all or part of the audit work of such audit, such firm shall be selected and shall perform such audit work as provided in K.S.A. 46-1123 and amendments thereto and K.S.A. 46-1125 through 46-1127 and amendments thereto. The audit work required pursuant to this subsection shall be conducted in accordance with generally accepted governmental auditing standards. The post auditor shall compute the reasonably anticipated cost of the audit work performed by a firm for such performance audit or other audit work pursuant to this subsection, subject to review and approval by the contract audit committee established by K.S.A. 46-1120 and amendments thereto, and the Kansas children's cabinet shall pay such cost from the children's initiatives accountability fund. If all or part of the audit work for such performance audit or other audit work is performed by the division of post audit and the division of post audit incurs costs in addition to those attributable to the operations of the division of post audit in the performance of other duties and responsibilities, the post auditor shall charge the Kansas children's cabinet for such additional costs and the Kansas children's cabinet shall pay such charges from the children's initiatives accountability fund. The payment of any such costs and any such charges shall be a transaction between the division of post audit and the Kansas children's cabinet and such transaction shall be settled in accordance with the provisions of K.S.A. 75-5516 and amendments thereto. All moneys received by the division of post audit for such costs and charges shall be credited to the audit services fund.

(d) There is hereby established in the state treasury the children's initiatives accountability fund which shall be administered in accordance with this section and the provisions of appropriation acts. The governor shall recommend and the legislature shall provide for moneys to be credited annually to the children's initiatives accountability fund by transfers or other provisions of appropriation acts.

(e) All moneys credited to the children's initiatives accountability fund shall be used for the purposes of providing funding for assessment and evaluation of programs, projects, improvements, services and other purposes for which moneys are allocated or appropriated from the children's initiatives fund. All expenditures from the children's initiatives accountability fund shall be made in accordance with appropriation acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved in the manner prescribed by law.

(f) On or before the 10th day of each month, the director of accounts and reports shall transfer from the state general fund to the Kansas en-

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dowment for youth fund interest earnings based on (1) the average daily balance of moneys in the children's initiatives accountability fund for the preceding month and (2) the net earnings rate of the pooled money investment portfolio for the preceding month.

New Sec. 4. (a) The board of trustees is responsible for the management and investment of the fund and shall discharge the board's duties with respect to the fund solely in the interests of the beneficiaries of the fund for the exclusive purpose of providing investment revenue for the purposes for which the moneys may be used and defraying reasonable expenses of administering the fund and shall invest and reinvest moneys in the fund and acquire, retain, manage, including the exercise of any voting rights and disposal of investments of the fund within the limitations and according to the powers, duties and purposes as prescribed by this section.

(b) Moneys in the fund shall be invested and reinvested to achieve the investment objective which is preservation of the fund to provide benefits to the beneficiaries of the fund and accordingly providing that the moneys are as productive as possible, subject to the standards set forth in this act. No moneys in the fund shall be invested or reinvested if the sole or primary investment objective is for economic development or social purposes or objectives.

(c) In investing and reinvesting moneys in the fund and in acquiring, retaining, managing and disposing of investments of the fund, the board of trustees shall exercise the judgment, care, skill, prudence and diligence under the circumstances then prevailing, which persons of prudence, discretion and intelligence acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims by diversifying the investments of the fund so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so, and not in regard to speculation but in regard to the permanent disposition of similar funds, considering the probable income as well as the probable safety of their capital.

(d) In the discharge of such management and investment responsibilities the board of trustees may contract for the services of one or more professional investment advisors or other consultants in the management and investment of moneys in the fund and otherwise in the performance of the duties of the board of trustees under this act.

(e) The board of trustees shall require that each person contracted with under subsection (d) to provide services shall obtain commercial insurance which provides for errors and omissions coverage for such person in an amount to be specified by the board of trustees. The amount of such coverage specified by the board of trustees shall be at least the greater of $500,000 or 1% of the funds entrusted to such person up to a maximum of $10,000,000. The board of trustees shall require a person contracted with under subsection (d) to provide services give a fidelity bond in a penal sum as may be fixed by law or, if not so fixed, as may be fixed by the board of trustees, with corporate surety authorized to do business in this state. Such persons contracted with the board of trustees pursuant to subsection (d) and any persons contracted with such persons to perform the functions specified in subsection (b) shall be deemed to be fiduciary agents of the board of trustees in the performance of contractual obligations.

(f) (1) Subject to the objective set forth in subsection (b) and the standards set forth in subsection (c), the board of trustees shall formulate and adopt policies and objectives for the investment and reinvestment of moneys in the fund and the acquisition, retention, management and disposition of investments of the fund. Such policies and objectives shall be in writing and shall include:

(A) Specific asset allocation standards and objectives;

(B) establishment of criteria for evaluating the risk versus the potential return on a particular investment; and

(C) a requirement that all investment advisors, and any managers or others with similar duties and responsibilities as investment advisors, shall immediately report all instances of default on investments to the board of trustees and provide such board of trustees with recommendations and options, including, but not limited to, curing the default or withdrawal from the investment.

(2) The board of trustees shall review such policies and objectives, make changes considered necessary or desirable and readopt such policies and objectives on an annual basis.

(g) (1) Except as provided in subsection (d) and this subsection, the custody of money and securities of the fund shall remain in the custody of the state treasurer, except that the board of trustees may arrange for the custody of such money and securities as it considers advisable with one or more member banks or trust companies of the federal reserve system or with one or more banks in the state of Kansas, or both, to be held in safekeeping by the banks or trust companies for the collection of the principal and interest or other income or of the proceeds of sale.

(2) The state treasurer and the board of trustees shall collect the principal and interest or other income of investments or the proceeds of sale of securities in the custody of the state treasurer and shall pay such moneys when so collected into the state treasury to the credit of the fund.

(3) The principal and interest or other income or the proceeds of sale of securities as provided in paragraph (1) of this subsection shall be reported to the state treasurer and the board of trustees and credited to the fund.

(h) All interest or other income of the investments of the moneys in the fund, after payment of any management fees, shall be considered income of the fund and shall be deposited in the state treasury to the credit of the fund.

(i) As used in this section:

(1) "Board of trustees" means the board of trustees of the Kansas public employees retirement system established by K.S.A. 74-4905 and amendments thereto.

(2) "Fiduciary" means a person who, with respect to the fund, is a person who:

(A) Exercises any discretionary authority with respect to administration of the fund;

(B) exercises any authority to invest or manage assets of the fund or has any authority or responsibility to do so;

(C) provides investment advice for a fee or other direct or indirect compensation with respect to the assets of the fund or has any authority or responsibility to do so;

(D) provides actuarial, accounting, auditing, consulting, legal or other professional services for a fee or other direct or indirect compensation with respect to the fund or has any authority or responsibility to do so; or

(E) is a member of the board of trustees or of the staff of the board of trustees.

(3) "Fund" means the Kansas endowment for youth fund and the family and the children endowment account of the family and children investment fund.

(4) With respect to the investment of moneys in the Kansas endowment for youth fund, "purposes for which the moneys may be used" means the purposes for which the moneys in the children's initiatives fund may be used, as provided in section 2 and amendments thereto, and "beneficiaries of the fund" means the beneficiaries of the children's initiatives fund, as provided by section 2 and amendments thereto.

(5) With respect to the investment of moneys in the family and children endowment account of the family and children investment fund, "purposes for which the moneys may be used" means the purposes for which the moneys in the family and children trust account of the family and children investment fund may be used, as provided in subsection (c) of K.S.A. 1998 Supp. 38-1808, and amendments thereto, and "beneficiaries of the fund" means the beneficiaries of the family and children trust account of the family and children investment fund may be used, as provided in subsection (c) of K.S.A. 1998 Supp. 38-1808, and amendments thereto.

New Sec. 5. The board of trustees of the Kansas public employees retirement system shall report to the governor and to the legislature on the moneys credited to the Kansas endowment for youth fund and investment earnings thereon at least once each calendar quarter and on a

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monthly basis upon request of the governor, the president of the senate or the speaker of the house of representatives. In addition, the board of trustees shall submit a report on or before October 1 of each year to the director of the budget, the director of the legislative research department and the chairpersons of the senate committee on ways and means and the house of representatives committee on appropriations detailing the board's estimates as to the amounts of moneys that would be available for transfer from the Kansas endowment for youth fund to the children's initiatives fund during the ensuing fiscal year. The director of the budget and the governor shall use the information in such report in the preparation of the governor's budget report under K.S.A. 75-3721 and amendments thereto.

Sec. 6. K.S.A. 1998 Supp. 20-367 is hereby amended to read as follows: 20-367. Of the remittance of the balance of docket fees received monthly by the state treasurer from clerks of the district court pursuant to subsection (f) of K.S.A. 20-362, and amendments thereto, the state treasurer shall deposit and credit to the access to justice fund, a sum equal to 6.94% of the remittances of docket fees; to the juvenile detention facilities fund, a sum equal to 4.45% of the remittances of docket fees; to the judicial branch education fund, the state treasurer shall deposit and credit a sum equal to 3.42% of the remittances of docket fees; to the crime victims assistance fund, the state treasurer shall deposit and credit a sum equal to .92% of the remittances of the docket fees; to the protection from abuse fund, the state treasurer shall deposit and credit a sum equal to 2.75% of the remittances of the docket fees; to the judiciary technology fund, the state treasurer shall deposit and credit a sum equal to 6.93% of the remittances of docket fees; to the dispute resolution fund, the state treasurer shall deposit and credit a sum equal to .57% of the remittances of docket fees; to the Kansas ~~endowment for youth~~ *juvenile delinquency prevention* trust fund, the state treasurer shall deposit and credit a sum equal to 2.03% of the remittances of docket fees; and to the permanent families account in the family and children investment fund, the state treasurer shall deposit and credit a sum equal to .33% of the remittances of docket fees. The balance remaining of the remittances of docket fees shall be deposited and credited to the state general fund.

Sec. 7. K.S.A. 1998 Supp. 38-1808 is hereby amended to read as follows: 38-1808. (a) There is hereby established in the state treasury the family and children investment fund. ~~On and after July 1, 1997, such~~ *The family and children investment* fund shall be administered as provided in this section.

(b) There shall be credited to the family and children investment fund appropriations, gifts, grants, contributions, matching funds and participant payments.

(c) (1) There is hereby created the family and children trust account in the family and children investment fund. The secretary of social and rehabilitation services shall administer ~~this~~ *the family and children trust* account.

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(2) Moneys credited to the family and children trust account shall be used for the following purposes: (A) Matching federal moneys to purchase services relating to community-based programs for the broad range of child abuse and neglect prevention activities; (B) providing start-up or expansion grants for community-based prevention projects for the broad range of child abuse and neglect prevention activities; (C) studying and evaluating community-based prevention projects for the broad range of child abuse and neglect prevention activities; (D) preparing, publishing, purchasing and disseminating educational material dealing with the broad range of child abuse and neglect prevention activities; and (E) payment of *the* administrative costs of the family and children trust account and of *that portion of* the ~~advisory committee on children and families~~ *Kansas children's cabinet*, established pursuant to K.S.A. 1998 Supp. 38-1901, and amendments thereto, *which are attributable to the family and children trust account, and that portion of the administrative costs of the board of trustees, of the Kansas public employees retirement system established by K.S.A. 74-4905, and amendments thereto, which are attributable to the family and children endowment account of the family and children investment fund*. No moneys in the family and children trust account shall be used for the purpose of providing services for the voluntary termination of pregnancy.

(3) Expenditures from the family and children trust account shall be subject to the approval of the ~~advisory committee on children and families~~ *Kansas children's cabinet* established pursuant to K.S.A. 1998 Supp. 38-1901, and amendments thereto. All expenditures from the *family and children trust* account shall be made in accordance with appropriation acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the secretary of social and rehabilitation services or a person designated by the secretary.

(d) (1) There is hereby created the permanent families account in the family and children investment fund. The judicial administrator of the courts shall administer this account.

(2) Moneys credited to the permanent families account shall be used for the following purposes: (A) Not more than 12% of the amount credited to the *permanent families* account during the fiscal year may be used to provide technical assistance to district courts or local groups wanting to establish a local citizen review board or a court-appointed special advocate program, including but not limited to such staff as necessary to provide such assistance, and to provide services necessary for the administration of such board or program, including but not limited to grants administration, accounting, data collection, report writing and training of local citizen review board staff; (B) grants to court-appointed special ad-

vocate programs, upon application approved by the administrative judge of the judicial district where the program is located; and (C) grants to district courts, upon application of the administrative judge of the judicial district, for expenses of establishment, operation and evaluation of local citizen review boards in the judicial district, including costs of: (i) Employing local citizen review board coordinators and clerical staff; (ii) telephone, photocopying and office equipment and supplies for which there are shown to be no local funds available; (iii) mileage of staff and board members; and (iv) training staff and board members.

(3) In addition to the other duties and powers provided by law, in administering the permanent families account, the judicial administrator shall:

(A) Accept and receive grants, loans, gifts or donations from any public or private entity in support of programs administered by the judicial administrator and assist in the development of supplemental funding sources for local and state programs;

(B) consider applications for and make such grants from the permanent families account as authorized by law; and

(C) receive reports from local citizen review boards established pursuant to K.S.A. 38-1812, and amendments thereto, regarding the status of children under the supervision of the district courts and regarding systemic barriers to permanence for children, assure that appropriate data is maintained regularly and compiled at least once a year by such boards on all cases reviewed and assure that the effectiveness of such boards is evaluated on an ongoing basis, using, where possible, random selection of local citizen review boards and cases for the evaluation and including client outcome data to determine effectiveness.

(4) All expenditures from the *permanent families* account shall be made in accordance with appropriation acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the judicial administrator or a person designated by the judicial administrator.

(e) The family and children endowment account of the family and children investment fund shall constitute and shall be administered as an endowment for the purposes for which expenditures may be made from the family and children trust account of the family and children investment fund. The family and children endowment account of the family and children investment fund shall be invested by the board of trustees of the Kansas public employees retirement system established by K.S.A. 74-4905, and amendments thereto. All interest or other income of the investments of the moneys in the family and children trust account of the family and children investment fund, after payment of any management and administrative fees, shall be considered income of the family and children trust account of the family and children investment fund and shall be deposited in the state treasury to the credit of the family and children trust account of the family and children investment fund.

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(f) On or before the 10th of each month, the director of accounts and reports shall transfer from the state general fund to the family and children investment fund interest earnings based on:

(1) The average daily balance of moneys in the family and children investment fund for the preceding month, *excluding all amounts credited to the family and children endowment account of the family and children investment fund*; and

(2) the net earnings rate of the pooled money investment portfolio for the preceding month.

Sec. 8. K.S.A. 1998 Supp. 38-1901 is hereby amended to read as follows: 38-1901. On and after ~~July 1, 1997~~ *the effective date of this act*:

(a) The advisory committee on children and families is hereby ~~created~~ *redesignated and shall be known and referred to as the Kansas children's cabinet*.

(b) The ~~advisory committee on children and families~~ *Kansas children's cabinet* shall consist of ~~nine~~ *15* members as follows: (1) The secretary of health and environment, *or the secretary's designee*; (2) the secretary of social and rehabilitation services, *or the secretary's designee*; (3) ~~the secretary of human resources~~ *a member of the state board of regents selected by the state board of regents, or such member's designee*; (4) the commissioner of education, *or the commissioner's designee*; (5) the commissioner of juvenile justice, *or the commissioner's designee*; (6) a member of the Kansas supreme court *selected by the Kansas supreme court, or such member's designee*; ~~and~~ (7) ~~three~~ *five* members of the public who are interested in and knowledgeable about the needs of children and families shall be appointed by the governor, ~~except that the members appointed by the governor to the advisory committee on children and families created by executive order 97-1 on January 9, 1997, shall be deemed members appointed by the governor of the advisory committee on children and families established by this section~~ *which, subject to the provisions of subsection (e), may include persons who are children's advocates, members of organizations with experience in programs that benefit children or other individuals who have experience with children's programs and services; (8) one person appointed by the speaker of the house of representatives; (9) one person appointed by the minority leader of the house of representatives; (10) one person appointed by the president of the senate; and (11) one person appointed by the minority leader of the senate. The members designated by clauses (1), (2), (3), (4), (5) and (6) of this subsection shall be nonvoting members of the Kansas children's cabinet. All other members shall be voting members.*

(c) *(1) Except as provided in paragraph (2) of this subsection*, the members of the ~~advisory committee on children and families~~ *Kansas children's cabinet* appointed by the governor, *speaker, president and minority leaders* shall serve ~~at the pleasure of the governor~~ *for terms of four years* *and until their successors are appointed and qualified.* The governor shall appoint a chairperson of the committee ~~and~~ *from among the members appointed by the governor. The chairperson shall serve in such office throughout such member's current term of office and until a successor is appointed and qualified.* The members of the ~~committee~~ *Kansas children's cabinet* may elect any additional officers from among its members necessary to carry out the duties and functions of the ~~committee~~ *Kansas children's cabinet.*

(2) Of the members first appointed by the governor, two shall be appointed for terms of two years, two shall be appointed for terms of three years and the member selected by the governor to be the chairperson shall be appointed for a term of four years. The member first appointed by the speaker of the house of representatives shall be appointed for a term of one year, the member first appointed by the minority leader of the house of representatives shall be appointed for a term of two years, the member first appointed by the president of the senate shall be appointed for a term of three years and the member first appointed by the minority leader of the senate shall be appointed for a term of four years. The governor shall designate the term for which each of the members first appointed by the governor shall serve.

(3) All members appointed to fill vacancies in the membership of the Kansas children's cabinet and all members appointed to succeed members appointed to membership on the Kansas children's cabinet shall be appointed in like manner as that provided for the original appointment of the member succeeded. All members appointed to fill vacancies of a member of the Kansas children's cabinet appointed by the governor, the speaker of the house of representatives, the minority leader of the house of representatives, the president of the senate or the minority leader of the senate shall be appointed to fill the unexpired term of such member.

(d) Not more than three members of the Kansas children's cabinet appointed by the governor under subsection (b)(7) shall be members of the same political party.

(e) (1) No person shall serve on the Kansas children's cabinet if such person has knowingly acquired a substantial interest in any business. Any such person who knowingly acquires such an interest shall vacate such member's position on the Kansas children's cabinet.

(2) For purposes of this subsection, "substantial interest" means any of the following:

(A) If an individual or an individual's spouse, either individually or collectively, has owned within the preceding 12 months a legal or equitable interest exceeding $5,000 or 5% of any business, whichever is less, the individual has a substantial interest in that business.

(B) If an individual or an individual's spouse, either individually or collectively, has received during the preceding calendar year compensation which is or will be required to be included as taxable income on federal income tax returns of the individual and spouse in an aggregate amount of $2,000 from any business or combination of businesses, the individual has a substantial interest in that business or combination of businesses.

(C) If an individual or an individual's spouse holds the position of officer, director, associate, partner or proprietor of any business, the individual has a substantial interest in that business, irrespective of that amount of compensation received by the individual or the individual's spouse.

(D) If an individual or an individual's spouse receives compensation which is a portion or percentage of each separate fee or commission paid to a business or combination of businesses, the individual has a substantial interest in any client or customer who pays fees or commissions to the business or combination of businesses from which fees or commissions the individual or the individual's spouse, either individually or collectively, received an aggregate of $2,000 or more in the preceding calendar year.

(3) As used in this subsection, "client or customer" means a business or combination of businesses.

(4) As used in this subsection, "business" means any entity which is eligible to receive funds from the children's initiatives fund, as provided in section 2 and amendments thereto, from the children's initiatives accountability fund, established by section 3 and amendments thereto, or from the family and children trust account of the family and children investment fund, as provided in K.S.A. 38-1808 and amendments thereto.

~~(d)~~ *(f)* The ~~advisory committee on children and families~~ *Kansas children's cabinet* shall meet upon the call of the chairperson as necessary to carry out the duties and functions of the ~~committee~~ *Kansas children's cabinet. A quorum of the Kansas children's cabinet shall be five voting members.*

~~(e)~~ *(g)* The ~~advisory committee on children and families~~ *Kansas children's cabinet* shall have and perform the following functions:

(1) Assist the governor in developing and implementing a coordinated, comprehensive service delivery system to serve the children and families of Kansas;

(2) identify barriers to service and gaps in service due to strict definitions of boundaries between departments and agencies;

(3) facilitate interagency and interdepartmental cooperation toward the common goal of serving children and families;

(4) investigate and identify methodologies for the combining of funds across departmental boundaries to better serve children and families;

(5) propose actions needed to achieve coordination of funding and services across departmental lines; ~~and~~

(6) encourage and facilitate joint planning and coordination between the public and private sectors to better serve the needs of children and families*; and*

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(7) *perform the duties and functions prescribed by section 3, and amendments thereto.*

~~(f)~~ *(h)* Members of the ~~advisory committee on children and families~~ *Kansas children's cabinet* shall not be paid compensation, but shall receive subsistence allowances, mileage and other expenses as provided by K.S.A. 75-3223, and amendments thereto. The subsistence allowances, mileage and other expenses as provided in K.S.A. 75-3223 and amendments thereto shall be paid from available appropriations of the department of social and rehabilitation services except that expenses of members who are employed by a state agency shall be reimbursed by that state agency.

(i) On the effective date of this act, the advisory committee on children and families is hereby abolished and all powers, duties, functions, records and other property of the advisory committee on children and families are hereby transferred to the Kansas children's cabinet created by this section. Except as otherwise specifically provided by this act, the Kansas children's cabinet shall be a continuation of the advisory committee on children and families as it existed prior to the effective date of this act.

Sec. 9. K.S.A. 75-7021 is hereby amended to read as follows: 75-7021. (a) There is hereby created in the state treasury the Kansas ~~endowment for youth~~ *juvenile delinquency prevention* trust fund. Money credited to the *Kansas juvenile delinquency prevention trust* fund pursuant to K.S.A. 20-367 and amendments thereto or by any other lawful means shall be used solely for the purpose of making grants to further the purpose of juvenile justice reform, including rational prevention programs and programs for treatment and rehabilitation of juveniles and to further the partnership between state and local communities. Such treatment and rehabilitation programs should aim to combine accountability and sanctions with increasingly intensive treatment and rehabilitation services with an aim to provide greater public safety and provide intervention that will be uniform and consistent.

(b) All expenditures from the Kansas ~~endowment for youth~~ *juvenile delinquency prevention* trust fund shall be made in accordance with appropriations acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the commissioner of juvenile justice or by a person or persons designated by the commissioner.

(c) The commissioner of juvenile justice may apply for, receive and accept money from any source for the purposes for which money in the Kansas ~~endowment for youth~~ *juvenile delinquency prevention* trust fund may be expended. Upon receipt of any such money, the commissioner shall remit the entire amount at least monthly to the state treasurer, who shall deposit it in the state treasury and credit it to the Kansas ~~endowment for youth~~ *juvenile delinquency prevention* trust fund.

(d) Grants made to programs pursuant to this section shall be based on the number of persons to be served and such other requirements as may be established by the Kansas youth authority in guidelines established and promulgated to regulate grants made under authority of this section. The guidelines may include requirements for grant applications, organizational characteristics, reporting and auditing criteria and such other standards for eligibility and accountability as are deemed advisable by the Kansas youth authority.

(e) On or before the 10th of each month, the director of accounts and reports shall transfer from the state general fund to the Kansas ~~endowment for youth~~ *juvenile delinquency prevention* trust fund interest earnings based on:

(1) The average daily balance of moneys in the Kansas ~~endowment for youth~~ *juvenile delinquency prevention* trust fund for the preceding month; and

(2) the net earnings rate of the pooled money investment portfolio for the preceding month.

(f) On and after the effective date of this act, the Kansas endowment for youth trust fund created by this section prior to amendment by this act is hereby redesignated as the Kansas juvenile delinquency prevention trust fund. On and after the effective date of this act, whenever the Kansas endowment for youth trust fund created by this section prior to amendment by this act, or words of like effect, is referred to or designated by a statute, contract or other document such reference or designation shall be deemed to apply to the Kansas juvenile delinquency prevention trust fund.

Sec. 10. K.S.A. 75-7021 and K.S.A. 1998 Supp. 20-367, 38-1808, 38-1901 and 38-2008 are hereby repealed.

Sec. 11. This act shall take effect and be in force from and after its publication in the statute book.

Approved May 14, 1999.

CHAPTER 173

SENATE BILL No. 170

AN ACT concerning certain claims against the state, making appropriations, authorizing certain transfers, imposing certain restrictions and limitations, and directing or authorizing certain disbursements, procedures and acts incidental to the foregoing.

Be it enacted by the Legislature of the State of Kansas:

Section 1. For the fiscal year ending June 30, 1999, appropriations are hereby made, restrictions and limitations are hereby imposed, and transfers disbursements, procedures and acts incidental to the foregoing are hereby directed or authorized as provided in this act.

Sec. 2. The department of revenue is hereby authorized and directed

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Children's Initiatives Fund
(Tobacco)

Agency/Program		FY 2001 Children's Cabinet Recommendation		FY 2001 Governor's Recommendation		FY 2001 Conference Comm. Adjustments
Miscellaneous Programs						
Statewide Strategic Planning	$	350,000	$	0		
Enhance Community Access Network catalog		70,000		0		
Research and Planning		350,000		0		
Cabinet Costs		387,058		0		
Subtotal - Misc.	**$**	**1,157,058**	**$**	**0**		
Department of Health and Environment						
Healthy Start/Home Visitor	$	250,000	$	250,000	$	(250,000)
Infants and Toddlers Program		500,000		500,000		(500,000)
Vaccine Purchases		250,000		0		
Newborn Screening Equipment Purchases		0		0		
Community Partnership Grants		6,950,000		3,000,000		(3,000,000)
Smoking Cessation/Prevention Program Grants		2,500,000		500,000		(500,000)
Early Prevention Grants for Local Health Departments		0		0		
Subtotal - KDHE	**$**	**10,450,000**	**$**	**4,250,000**	**$**	**(4,250,000)**
Juvenile Justice Authority						
Juvenile Prevention Program Grants	$	4,000,000	$	5,000,000	$	(5,000,000)
Juvenile Graduated Sanctions Grants		2,000,000		2,000,000		(2,000,000)
Community Management Information Systems Grants		85,000		0		
Subtotal - JJA	**$**	**6,085,000**	**$**	**7,000,000**	**$**	**(7,000,000)**
Department of Social and Rehabilitation Services						
Children's Mental Health Initiative	$	1,000,000	$	1,000,000	$	(1,000,000)
Family Centered System of Care		5,000,000		5,000,000		(5,000,000)
HCBS Services for Mentally Retarded		3,000,000		3,000,000		(3,000,000)
HCBS Services for Physically Disabled		1,800,000		1,800,000		(1,800,000)
Best Children's Programs Practices Research		0		250,000		(250,000)
Subtotal - SRS	**$**	**10,800,000**	**$**	**11,050,000**	**$**	**(11,050,000)**
Attorney General						
Statewide DARE Program	$	165,300	$	159,956	$	(159,956)
Department of Education						
Parent Education	$	777,833	$	1,277,833	$	(1,277,833)
Four-Year -Old At-Risk Programs		0		1,000,000		(1,000,000)
School Violence Prevention		500,000		500,000		(500,000)
Kan-Ed		0		4,500,000		(4,500,000)
Natl. Geographic Society Ed. Foundation Endowment		0		0		
School District Reading Readiness Programs		0		0		
Subtotal - Dept. of Ed.	**$**	**1,277,833**	**$**	**7,277,833**	**$**	**(7,277,833)**
University of Kansas Medical Center						
Tele-Kid Health Care Link	$	0	$	250,000	$	(250,000)
Pediatric Biomedical Research		0		0		0
Subtotal - KU Medical Center	**$**	**0**	**$**	**250,000**	**$**	**(250,000)**
TOTAL	**$**	**29,935,191**	**$**	**29,987,789**	**$**	**(29,987,789)**

*** The Conference Committee recommends deleting all Children's Initiatives funding pending further consideration at Omnibus.**

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CHILDREN'S INITIATIVES FUND

Program or Project	FY 2001 Gov. Rec.
Prevention Programs	
Healthy Start/Home Visitor (Kansas Dept. of Health and Environment) ● The program supports nurses and supervised lay visitors in providing early identification of high-risk expectant families and families with newborns. The program provides education and support to pregnant women and families with a baby (birth through one year) for the purpose of reducing the incidence of poor pregnancy outcomes, child abuse and neglect	$250,000
Smoking Prevention Grants (Kansas Dept. of Health and Environment) ● The purpose of this funding is to provide grants to non-profit organizations or to administer a state program for the prevention of tobacco use. The program will be administered by the Director of Health, Kansas Department of Health and Environment. According to the Department, funding at this level would be used to create a model comprehensive program in a single community with a population of approximately 30,000.	$500,000
Juvenile Justice Community Funding - Prevention Programs (Juvenile Justice Authority) ● These programs include substance abuse, health, education, family management/crisis management, and mentoring. The programs will serve an unknown number of at-risk juveniles from preschool to high school. For FY 2001 the Juvenile Justice Authority has refined definitions for the targeted population and specific funding criteria.	$5,000,000
Drug Abuse Resistence Education Project (Attorney General) ● The 1999 Legislature established the statewide DARE program in the Office of the Attorney General and two staff positions were filled in January 2000. The responsibility of the statewide office is to provide training for law enforcement officers who conduct local anti-drug and anti-violence programs for Kansas students. The training provided by the statewide office is not available elsewhere in Kansas.	$159,956
School Violence Prevention (Experimental Wraparound) (State Dept. of Education) ● The Governor recommends $500,000 for the second year of the school violence prevention program, a competitive grant program designed to reduce school violence, substance abuse, school dropouts, and delinquency. The program requires a 25 percent local match and is for school districts that have developed a collaborative program with a community mental health system. Services that may be provided include attendant care, case management, respite care, family therapy, psychiatric care, outpatient therapy, and parent support. In FY 2000, 8 school districts received grants out of 16 that applied.	$500,000
Education and School Based Programs	
Infants and Toddlers Program (Kansas Dept. of Health and Environment) ● The program provides screening, evaluation and assessment, and intervention for children with developmental delay. Kansas families with infants or toddlers (from birth to three years of age) who have developmental delays or disabilities are eligible for early intervention services. Services are provided through local health agencies. The program is administered by the Bureau of Children, Youth and Families in the Department of Health and Environment.	$500,000
Parent Education (State Dept. of Education) ● The Governor recommends a total of $5,917,333 for parent education, of which $1,277,833 is tobacco money and the remainder ($4,639,500) is from the State General Fund. Currently, 12,391 families with 15,178 children are being served. The Governor's recommendation is an increase of $572,775 over the current year and would allow additional children to be served.	$1,277,833
Four-Year-Old At-Risk Program (State Dept. of Education) ● The Governor recommends $1.0 million in general state aid to expand the four-year-old at-risk program from 1,794 children to 2,232, an increase of 438. In the school finance formula, four-year-old at-risk children are counted as 0.5 pupil.	$1,000,000
Technology Infrastructure (State Dept. of Education) ● The Governor recommends $4.5 million to establish a state education technology network known as "KAN-ED." The network would provide Internet connectivity to school districts, accredited private schools, and public libraries.	$4,500,000

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Program or Project	FY 2001 Gov. Rec.
Health Programs	
Kansas Health Foundation Community Partnership Grants (Kansas Dept. of Health and Environment) • These grants are intended to be used in conjunction with private funds from the Kansas Health Foundation as a part of a long-term commitment to local children's health initiatives.	$3,000,000
Home and Community Based Services (HCBS) for Physically Disabled (Dept. of Social and Rehabilitation Services) • The Home and Community Based Services Waiver Program is for individuals with a physical disability who would be institutionalized if not for this program. Individuals receive in-home services based on the Kansas Uniform Assessment Instrument score and the individualized Plan for Care. The funding is matched with federal Medicaid funds to provide the services.	$1,800,000
TeleKid Health Care Link (University of Kansas Medical Center) • In 1998 the University launched a pilot program to deliver medical services to children in school. Using personal computer based telemedicine technology, the project linked the school nurse's office with physicians to provide clinical consultations for students. For FY 2001, the Governor recommends $250,000 from the Children's Initiatives Fund to expand the pilot program to other areas of the state. KUMC would serve as a facilitator to link local health care providers with schools in their service areas. In those cases where there are no health care providers or if back up medical services are requested, KUMC physicians would be available to provide clinical consultations.	$250,000
Mental Health Programs	
Children's Mental Health—Serious Emotional Disturbed Waiver (Dept. of Social and Rehabilitation Services) • This program serves only the most seriously ill children who require very intensive services (approximately 10 percent of the Serious Emotional Disturbed population).	$1,000,000
Family Centers System of Care (Dept. of Social and Rehabilitation Services) • The program services children who have been diagnosed with serious emotional disturbance but are not in crisis. In addition, the program provides for prevention education services and day services when children are out of school. The program is administered through the Community Mental Health Centers.	$5,000,000
Other Programs	
Juvenile Justice Community Funding - Intervention/Graduated Sanctions Programs (Juvenile Justice Authority) • These programs include attendant care, intake and assessment, out-of-home placement, residential group homes, sanction houses, alcohol and drug services, community corrections, and diversion and truancy services.	$2,000,000
Best Children's Programs Practices Research (Dept. of Social and Rehabilitation Services) • This is a study to research the most effective ways to target the tobacco settlement moneys for children's programs. The contract would be administered through the Children's Cabinet.	$250,000
Home and Community Based Services (HCBS) for Mental Retardation/Developmental Disabilities (Dept. of Social and Rehabilitation Services) • The Home and Community Based Services Waiver Program for individuals with Mental Retardation/Developmental Disabilities provides for in-home services to replace institutional care. The tobacco settlement funds are used to match federal Medicaid moneys to serve individuals currently waiting for in-home services.	$3,000,000
TOTAL	**$ 29,237,789**

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Kansas Prevention Initiative:

Kansas Center for Prevention Leadership
Making a Difference with Leadership and Accountability

Prepared by David Adkins, Chairman, House Appropriations Committee

What is the Kansas Prevention Initiative?

The Kansas Prevention Initiative is a proposal designed to enhance the outcomes achieved through the distribution and use of public resources allocated for prevention. The initiative is designed to maximize the opportunity presented by the first time allocation of Children's Initiative Fund dollars for the 2001 Fiscal Year.

Instead of simply adding another layer to the state's current scattered prevention programs, the Kansas Prevention Initiative is designed to provide a comprehensive framework for youth prevention services and programs. By clearly articulating desired outcomes and providing a basis to fund prevention programs on a sustainable and long-term basis we enhance results and improve the lives of Kansans.

Why is it needed?

Policy makers have grown increasingly frustrated with the fact that prevention programs are spread among a broad array of state agencies that seldom coordinate their efforts. The state has prevention programs funded from federal funds, state general fund, and some funded from special fees. These programs are spread throughout a wide variety of state agencies from our universities to the National Guard. While many of these programs serve worthwhile purposes the lack of coordination and focus compromises program success and complicates the ability of community groups from accessing the funds.

With the action of the legislature during the 1999 session, the state's share of tobacco settlement proceeds will be dedicated to enhancing the status of children in our state. This unprecedented opportunity provides significant new resources and challenges. While an increasing number of policy makers now agree that investments in prevention are among the best allocations of public resources that can be made, progress toward results is often compromised by the way in which the state chooses to deliver prevention services.

Now is the time to create a resource for true leadership on prevention at the state level. To provide focused outcomes for our public investments, to monitor and report results, and to guide communities in the difficult task of implementing programs and services. Failure to pursue this leadership initiative could easily result in Children's Initiatives Fund resources being squandered.

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More and more citizens in Kansas are asking whether policies, programs and tax dollars are improving results for children. The public wants proof of results. This focus on results in prevention allows government to be held accountable for specific results. By agreeing on results state agencies can work together on explicit goals. Information about results allows government to judge the effectiveness of their efforts and allocate resources accordingly.

Does this initiative build on current prevention efforts?

Yes. Most notably this effort benefits from the ongoing Connect Kansas effort. Connect Kansas provides a collaborative framework and a course of action to support the healthy development of children—community by community and neighborhood by neighborhood. Connect Kansas builds on a solid foundation of research and evaluation, supports outcome-based community planning and supports community capacity building.

The framework builds on more than 30 years of research and practical application in Kansas about what places children and youth at risk and what builds protection and developmental assets, and the knowledge of how communities and systems change. This model is fully compatible with and builds on the community planning and prevention models utilized by the Kansas Health Foundation and the Communities that Care model adopted by the Juvenile Justice Authority to guide community planning and prevention.

What are the outcomes to be achieved by this initiative?

Nine characteristics have been identified as the outcomes that are the foundation of this prevention initiative:

- Families, youth and citizens are part of their community's planning, decision-making, and evaluation
- Families and individuals live in safe and supportive communities
- Pregnant women and newborns thrive
- Infants and children thrive
- Children live in stable and supported families
- Children enter school ready to learn
- Children succeed in school
- Youth choose healthy behaviors

- Youth successfully transition to adulthood

So what exactly is the Kansas Prevention Initiative?

The Kansas Prevention Initiative is a governmental reform designed to establish a new base of prevention leadership at the highest levels of state government. It creates the Kansas Center for Prevention Leadership housed in the office of the Secretary of Health and Environment. This center replaces the existing Office of Prevention Administration within the Department of Social and Rehabilitation Services. All of the employees, functions and duties of the Office of Prevention Administration would be transferred to the new center.

The Kansas Children's Cabinet will be renamed the Kansas Prevention Policy Council and would be staffed by the employees of the new Center. The council would be charged with accountability for results for children and families by increasing community-based decision making, strengthening families and preventing problems, streamlining government and redirecting resources.

The Council will be charged with developing measurable benchmarks for the outcomes listed above, linking resources to results. Accountability for results is fundamental to improving the lives of children and families. By designing innovative strategies to address specific benchmarks, communities can target resources, streamline bureaucracy and respond much better to the needs of their own residents. The Council will meet regularly to discover new ways to break down barriers that stand in the way of progress and innovation for the state and for communities.

The Center will have oversight of the Regional Prevention Centers in Kansas and the Connect Kansas County Partnerships.

The Center will coordinate federal and state funding streams and programs around the goals listed, analyze whether they address science-tested approaches, and document results.

The Center will also administer a discretionary grants program to encourage promising approaches and targeted prevention grants for high-risk geographic areas and to advance the outcomes listed.

The Center will develop a protocol to guide state grant making entities and processes. This protocol will be designed to ease the burden on grant seekers, simplify the application process, centralize access to information regarding state prevention grants, improve the ability to track results and establish a strategy to "fund for success". Long term, sustainable funding will be encouraged where such a commitment is necessary to achieve success. Strategies to fully leverage federal and local dollars will be developed and clearly articulated. Strategies to leverage private and public foundation dollars will also be developed and pursued on behalf of state and local prevention efforts.

The Center will convene leadership forums to create learning communities and to encourage innovation and dialogue among national, state and local prevention leaders, advocates and consumers.

The Center will convene prevention development work teams to make policy and program recommendations (i.e. research and evaluation, on-line technology, results-based planning, capacity building, resource and partnership development, categorical issues such as substance abuse and delinquency, social marketing).

The Center will also provide assistance in the evaluation and assessment of programs funded and require when necessary that evaluation and assessment be built into the design of prevention programs.

The Center will provide leadership on the design, implementation and administration of statewide prevention initiatives.

How will the allocation of Children's Initiative Funds be impacted by this proposal?

Instead of adding another office to staff the Children's Cabinet, the Center will staff the Cabinet. This staff will be transferred from the SRS Office of Prevention.

The Center will oversee allocation of the Community Partnership grants in partnership with the Kansas Health Foundation.

The Prevention Policy Council will perform the functions now assigned to the Children's Cabinet, however, the recommendations of the Prevention Policy Council for expenditure of Children's Initiative Funds will be tied to specific outcomes and benchmarks identified by the Council. Additionally, a report of outcomes based on the benchmarks will be published annually.

Andrew O'Donovan will serve as Executive Director of the Center and Judy Donovan will serve as Associate Director. These two dedicated prevention professionals currently lead the Connect Kansas effort at SRS. Other staff and budget authority will be transferred from SRS to the Center at KDHE.

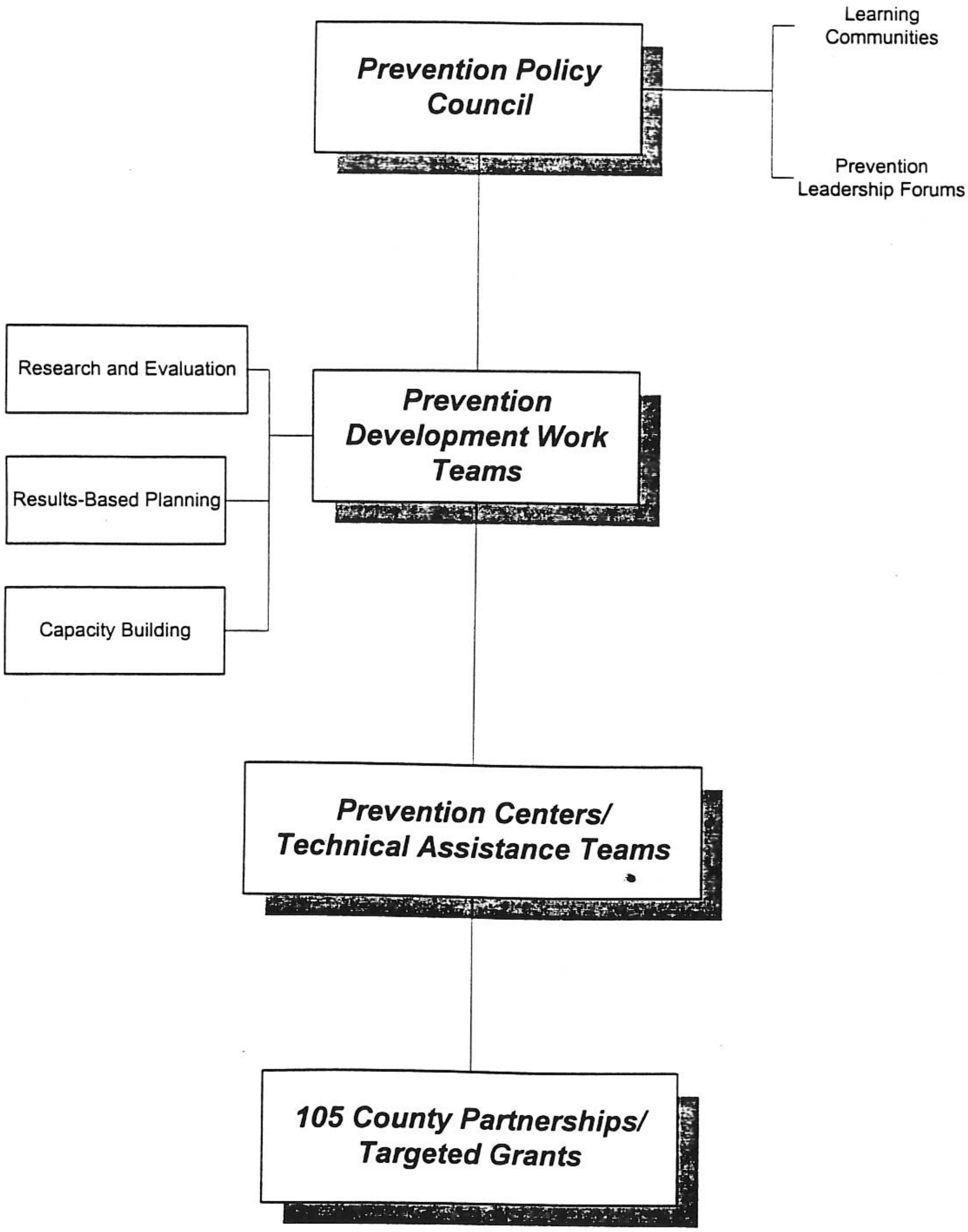
How will this initiative impact the allocation of other prevention resources?

The Center will develop expertise in all funding streams available to fund prevention activities and through technical assistance and educational programs share that knowledge with appropriate audiences. All state agencies that make grants for prevention activities, services or programs will submit a report to the Center documenting grantees and programs funded and results achieved. The Center shall provide assistance to such state agencies to assist them in conforming their grant making criteria to the outcomes listed above. The Center shall also interpret prevention research for other agencies and assist them in applying best practices in prevention programs.

Can We Afford to Delay?

We know so much more about the effectiveness of prevention than we did just several years ago. Proven strategies that work to strengthen families and children have been identified yet we have failed to realize the full promise of such strategies because of our failure to focus our efforts and make appropriate investments. With the allocation of the state's share of the tobacco settlement funds to children's programs we now have the resources to make a significant new investment in prevention. We must not squander this opportunity.

The time to put in place a workable framework for prevention planning, to bring cohesion to the allocation of prevention dollars and to clearly articulate outcomes and benchmarks by which progress will be made is now.


Prevention Policy Council
Learning Communities
Prevention Leadership Forums
Research and Evaluation
Results-Based Planning
Capacity Building
Prevention Development Work Teams
Prevention Centers/ Technical Assistance Teams
105 County Partnerships/ Targeted Grants

Sample Benchmarks

Healthy Children

- Increase the percentage of children appropriately immunized by the age of two.
- Reduce the pregnancy rate among school-age girls.
- Reduce the percentage of children who have untreated vision, hearing, or health problems at school entry.
- Reduce the teenage homicide rate.
- Increase the percentage of youths that do not use alcohol, tobacco, or illegal drugs.

Children Ready for School

- Increase the percentage of low-income students in Head Start or prekindergarten programs.
- Increase the percentage of kindergarten students who attended preschool or child care programs.
- Reduce the percentage of students who are two or more years overage in the third grade.

Children Succeeding in School

- Reduce the percentage of students who are absent ten or more days from school annually.
- Increase the percentage of students performing above state standards on curriculum based tests.
- Increase the percentage of students scoring above the national median on normed achievement tests.
- Increase the percentage of students who graduate from high school on time.
- Increase parental involvement.

KANSAS LEGISLATIVE RESEARCH DEPARTMENT Rm. 545N–Statehouse, 300 SW 10th
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March 14, 2000

To: Representative David Adkins **Office No.:** 514-S

From: Kathie Sparks, Senior Fiscal Analyst KLS

Re: Office of Prevention Administration Within Department of Social and Rehabilitation Services

The Office of Prevention Administration has two functions: the Alcohol and Drug Abuse Prevention Services and the Connect Kansas Project. The following is an outline of the staff and budget of the Office.

Staffing

The Office has 5.0 FTE positions: (Classified) Public Service Executive II, Public Health Nurse I, an Executive Secretary, and one unclassified Commissioner position.

Total estimated salaries and wages for FY 2000 $264,337

Funding for Staff

SGF-State Operations	$	1,983
Other State Fees Fund		158,969
A & D Block Grant (federal)		99,787
Total	$	264,337

Other Operating Expenditures of the Office

SGF-State Operations	$	426
Other State Fees Fund		34,930
A & D Block Grant (federal)		21,441
Total	$	56,797

Other Assistance

State Funds

SGF-Alcohol and Drug Abuse Services Grants	$	380,000
Social Welfare Fund (Fee Fund)		227,000
Total State Assistance	$	607,000

Federal Assistance

A & D Block Grant Fund	$	2,390,804
Federal Grants and Assistance Fund		3,834,800
Total Federal Assistance	$	6,225,604
Total Assistance	$	6,832,604

Funding information

Other State Fees Fund ($193,899 is budgeted for this program). The fund receives moneys from several sources: Miscellaneous grants, Kansas Covering Kids—Robert Wood Johnson Grant; Baby Your Baby (donations); Healthy Families America Program to match federal Title XIX funds; and the Alcohol and Drug Abuse Fees and Tax Receipts account and the Alcoholism Treatment Fund.

KSA 79-41a2 establishes a 10 percent tax on the gross receipts derived from the sale of alcoholic liquor by any club, caterer, or drinking establishment. KSA 79-41a23 requires that 5 percent of this tax be deposited to the community alcoholism and treatment fund. KSA 41-2622 prescribes for an occupation or license tax on clubs and drinking establishments. Of that amount collected, 50 percent is credited to the Other State Fees Fund of SRS and 50 percent is credited to the State General Fund. KSA 41-501 requires the State Treasurer to credit 1/10th of the funds collected from taxes imposed upon alcoholic beverages to this fund.

Substance Abuse Treatment is funded with $4,122,380 from this fund in FY 2001.

Social Welfare Fund. Commonly known as the SRS Fee Fund provides $227,000 of state assistance funding required to match the federal dollars. Moneys into the fund come from a variety of sources, however, the majority of the funding comes from drug rebate funds and recovery of child support enforcement collections.

Alcohol and Drug Block Grant Federal Fund: These funds are awarded by the Federal Department of Health and Human Services under the Catalog of Federal Domestic Assistance 93.959. The block grant award has increased almost yearly since its inception in the 1980s. At this point in time, no information is available as to the amount of the federal fiscal year 2000 award, so projections are based on the latest award. Prevention budget is $2,512,032 and the treatment budget is $8,364,594.

Federal Grants and Assistance Fund. ($3,834,800 is budgeted for this program in federal assistance). The funding for this comes from the federal ADAS State Incentive Grant of $3,834,800.

If I can be of any further assistance please do not hesitate to contact me at 6-4405.

KS/mkl

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24-10

Kansas was one of the first five States to receive a State Incentive Cooperative Agreement, a three year federal grant award totaling $9.27 million for prevention. SRS manages the project on behalf of the Governor and works with a seven member Governor's Executive Advisory Committee.

The mission is to develop a risk-focused, comprehensive, collaborative prevention strategy to achieve outcomes, redirect and leverage resources, and increase public awareness. A minimum of 85 percent of the funds must be allocated through a competitive process to assist community coalitions in implementing programs and strategies that have a science-base. A total of $2.7 million was allocated to 31 coalitions in 1998 and a total of $2.3 million was allocated to 33 coalitions in 1999.

Members of the State Incentive Cooperative Agreement Executive Advisory Committee appointed by the Governor:
Judge John E. Barker, Chair, Corelia "Cokie" Diggs, Clay Edmands, Elaine Johannes, Harriet Lange, James Tangeman, Michelle Voth

CHILDREN'S RESEARCH COUNCIL

PURPOSE

The development and implementation of a Children's Research Council effectively meets the specific statutory research and evaluation requirements of HB 2558 (the Children's Trust legislation). In addition, the creation of a cohesive and coordinated research and evaluative effort, one that puts in place a long term structure and process for the ongoing evaluation of CIF, prevention, and child welfare dollar expenditures, congruent with best practices, effective programming, and statewide commitments to children and families, is critical to a successful prevention initiative. As differentiated from other advisory committees and workgroups, the members of the research council will be individuals who are researchers by profession; therefore, they are armed with distinct sets of knowledge and expertise and bound by specific professional and practice ethics. These parameters ensure their ability to act as a credible, independent resource for the entities such as the Kansas Prevention Policy Council, the legislature, and the variety of committees throughout the state.

The investment in state-based research capacity supports the development of an internal resource for directing outcomes-based public policy and programming. The lack of a concerted investment in and reliance on state based research can be prohibitive to the development of an integrated approach to policy and programming that is contained within a vision and a research agenda that planfully assists the state in determining both new directions and sustaining current efforts. Access to a state-based research entity facilitates the connection between policy, programming, systemic reforms, and allocations. In addition, the Research Council's development of data and documents for dissemination to local, regional, state, and national partners provides the tools necessary to begin to position Kansas as a leader in child welfare initiatives and make possible the replication of Kansas' leading policy, programmatic, and fiscal interventions.

The Children's Research Council, tied to the Kansas Center for Prevention Leadership, would be charged with developing a statewide research agenda. The Research Council would be charged with making recommendations and providing information to the Cabinet, the Governor, the legislature, and other bodies regarding:

- The development of credible research tools, evaluative processes, and benchmarks;
- The type of research strategies needed to further program, policy, and fiscal development;
- The effective application of the variety of local, state, and national research models;
- The integration of local, state, and national research strategies; and
- The assessment and evaluation of community and statewide progress toward the achievement of identified benchmarks.

House Appropriations
4-19-00
Attachment 25

STRUCTURE

The structure of the Children's Research Council is designed to both preserve and maintain the integrity of the research process and effectively operationalize the duties of the Council. In order for the Council to maintain its ability to pursue research in an environment and a manner that effectively meets established research principles, it is necessary for the Council to maintain and appropriate level of separation and autonomy.

To ensure that the research agenda, activities, and information produced by the Council are not tied to funding or employment incentives, the Council will not be housed in the Kansas Center for Prevention Leadership, nor will its members be, in any way, direct employees of the Center. Rather, the Council will be housed in an institution of higher education, one that has:

- A proven history and demonstrated capacity in child welfare research
- The appropriate level of expert and experienced staff necessary to effectively fulfill the functions of the Council
- A proven ability to manage and implement local, state, and national research contracts and grants
- The administrative capacity and organizational structure necessary to carry out Council functions and manage and build collaboratives, as needed
- A deep and comprehensive understanding of the child welfare system in Kansas and connections to and an understanding of national and regional movements in child welfare research and practice

Housing the Research Council within a single, respected entity will provide the cohesion and coordination necessary to ensure the success of the Research Council initiative. The fostering of collaboration and input from researchers across the state is met through the development of an identified process, coordinated by and managed through the Research Council.

THE CHILDREN'S RESEARCH COUNCIL AND THE KANSAS CENTER FOR PREVENTION LEADERSHIP

The Kansas Center for Prevention Leadership is not, in any way charged with setting research priorities or the agenda for the Research Council. The Center does not have any established or identified authority to intervene in or draw conclusions regarding the research and research activities of the Council and its partners. Rather, the Center is charged with:

- Providing administrative and staff support, as necessary, to support the activities of the Council

- Acting as a liaison to the Research Council, to facilitate the appropriate distribution of Research Council documents and materials and to coordinate with the identified administrative lead on the Council

- Acting as a coordinator, as necessary, to assist in pulling together the identified key actors and entities necessary to further the activities of the Council

The relationship between the Center and the Council is designed to further the work of the Council, which will in turn effectively inform and enhance the work of the Center, and the state, in better serving the needs of Kansas children and families.

THE CHILDREN'S RESEARCH COUNCIL AND THE CHILDREN'S CABINET

The Children's Research Council is the entity designated with fulfilling the statutory requirements of HB 2558 – the Children's Trust legislation.

Section 3, part (b) of the statute directs that the Children's Cabinet shall:

" ...study and shall initiate studies, assessments, and evaluations, by contract or otherwise, through institutions of higher education and other appropriate research entities to identify best practices and to measure and otherwise determine the efficiency and efficacy of practices that are utilized in programs, projects, improvements, services, and other purposes for which moneys are allocated or appropriated from the children's initiatives fund."

The Research Council, in fulfilling these functions shall:

- Make recommendations, to the Cabinet, regarding the types of proven programs and practices that reflect the priorities and findings identified in the research agenda

- Make recommendations to and develop a short and long term plan regarding the types of programs and practices that will best operationalize the agenda and state and local priorities

- Make recommendations regarding the type of research projects that would meet the priorities outlined in the agenda and continue to further child welfare policy, program, and practice in the state

- Make recommendations to the Cabinet regarding funding formulas and granting processes that would assist in promoting the development of best practices and programs in communities

- Develop a process for the effective evaluation of the program, projects, and improvements funded by Children's Initiative Fund dollars

- Act as a resource to the Cabinet and make recommendations regarding the effective application of research to public policy and fiscal decision making

As with the Kansas Center for Prevention Leadership, the Cabinet has no authority to direct the research agenda or to intervene regarding the research findings of the Council. Conversely, the Council makes final decisions regarding their recommendations to the Governor and the legislature and their allocation of grant monies and funds.

FUNCTIONS OF THE CHILDREN'S RESEARCH COUNCIL

1) THE ESTABLISHMENT OF A STATEWIDE RESEARCH AGENDA FOR CHILD WELFARE – The establishment of a statewide research agenda for child welfare is an essential piece of ensuring that public policy and fiscal decisions are connected to and reflect proven outcomes and practices, which can meet established accountability and evaluative standards. The research agenda becomes the template that assists in guiding both continued research and investigation into policies and practices and the establishment of state and local funding, program, and practice priorities. The research agenda provides a mechanism from which to develop statewide strategic plans, plans which are tied to both a short term and a long term vision for ensuring that all Kansas children and their families are healthy, strong, and engaged members of their communities. A well developed agenda provides the blueprint for mobilizing and engaging key actors and communities around the successful implementation of established research, public policy, and fiscal priorities.

The establishment of a child welfare research agenda for the state of Kansas involves the systematic review of and response to the following questions:

- What are the needs of children and families in Kansas?
- What is known, from existing research literature, about the best way to meet these identified needs?
- How do national research findings specifically apply to the state of Kansas?
- What are there barriers and challenges to their implementation in Kansas?
- How does what we are doing to serve children and families in Kansas effectively meet their needs?
- How well do current policies and practices, compared across the state and the nation, effectively meet the needs of children and families in Kansas?
- What are the gaps in knowledge regarding our policies and practices? How can a research agenda, and established priorities be designed to meet these gaps?

2) MEETING THE STATUTORY RESEARCH AND EVALUATION REQUIREMENTS OF THE CHILDREN'S TRUST LEGISLATION- The Children's Research Council is the entity

designated with fulfilling the statutory requirements of HB 2558 – the Children's Trust legislation. This includes the development of processes and procedures that fulfill the evaluative and accountability requirements outlined in the legislation.

3) PROVIDING RESOURCES AND TECHNICAL ASSISTANCE TO THE CHILDREN'S CABINET -The Children's Research Council, through the performance of the above activities, will assist the Policy Council in determining allocations and in developing cohesive long range plans around the allocation of CIF moneys that fit into a developed research agenda and reflect strategic, focused planning and outcomes-based public policy.

4) ESTABLISHING OUTCOMES BY WHICH TO EVALUATE THE EFFECTIVENESS OF PROGRAMS AND PRACTICES– The Research Council will develop outcomes that will effectively operationalize the vision for prevention in the state and provide a mechanism for evaluating and monitoring both statewide efforts and specific community programs.

5) PROVIDE A TEMPLATE FOR DETERMINING THE EFFECTIVE ALLOCATION OF PREVENTION AND CIF DOLLARS- The Research Council will place decisions about funding and policy in the context of a research agenda that operationalizes the vision for prevention and ties policy and programming to outcomes. This will assist in the development of a formula that can guide allocations and grants (for example, 50% of grants will support innovative practices, 50% will support proven programs).

6) MAKING RECOMMENDATIONS TO THE GOVERNOR, THE CABINET, AND OTHER LEGISLATIVE BODIES REGARDING:

   - The development of credible research tools, evaluative processes, and benchmarks;
   - The type of research strategies needed to further program, policy, and fiscal development;
   - The effective application of the variety of local, state, and national research models;
   - The integration of local, state, and national research strategies; and
   - The assessment and evaluation of community and statewide progress toward the achievement of identified benchmarks.

RESOURCES AND FUNDING

To underscore the importance of these research efforts, the statute, Section 3, part (e), creates the Children's Initiatives Accountability Fund for:

"...the purposes of providing funding for assessment and evaluation of programs, projects, improvements, services, and other purposes for which moneys are allocated or appropriated from the children's initiatives fund."

The Children's Initiatives Fund/ Children's Initiatives Accountability Fund dollars will provide the base of funding for the Children's Research Council. These funds will be directed toward:

- The establishment and ongoing development of a statewide research agenda
- The development of evaluative processes and procedures regarding CIF expenditures
- Necessary administrative support for the Children's Research Council

Funds will be also utilized to fund research projects and administer grants that that further the statewide research agenda, address identified gaps in research, and further the development and implementation of best practices and programming in child welfare in Kansas.

ALLOCATION OF FUNDS FOR GRANT PROJECTS

The Children's Research Council will have the primary responsibility of developing the statewide research agenda and developing and implementing evaluative processes regarding CIF expenditures.

A separate entity will make decisions regarding the allocation of funds for additional research projects and grants. This entity will be an independent review panel, not consisting of Children's Research Council members, Cabinet members, or Prevention Center members. These members will develop and institute a blind grant review process designed to ensure the equitable allocation of funds for research and grants throughout the state.