

MINUTES OF THE SENATE WAYS & MEANS COMMITTEE.

The meeting was called to order by Chairperson Dave Kerr at 12:05 p.m. on March 30, 2000 in Room 123-S of the Capitol.

All members were present except:

Committee staff present: Alan Conroy, Chief Fiscal Analyst, KLRD
 Rae Anne Davis, KS Legislative Research Department
 Debra Hollon, KS Legislative Research Department
 Norman Furse, Revisor of Statutes
 Michael Corrigan, Asst. Revisor of Statutes
 Judy Bromich, Administrative Assistant to the Chairman
 Ronda Miller, Committee Secretary

Conferees appearing before the committee:

Greg Tugman, Division of the Budget
 Duane Goossen, Director, Division of the Budget
 Representative Carlos Mayans
 Ken Frahm, President, Kansas Development Finance Authority
 Leslie Casson, Financial Analyst, Kansas Development Finance Authority

Others attending: See attached list

HB 2814: Senior pharmacy assistance program

Kathie Sparks, Kansas Legislative Research Department, reviewed the supplemental note on **HB 2814** as amended by the House Committee on Health and Human Services. She noted that the bill provides statutory authority for the operation of a state-funded senior pharmacy assistance program to provide assistance to eligible individuals for the purchase of prescription drugs. She reviewed the criteria for eligibility and the program policies:

- 67 years of age or older; eligibility changes to 65 years or older commencing with FY 2003
- Income not in excess of \$14,000 for individual & household income of no more than \$16,000
- Must not qualify for any other local, state, or federal prescription drug program
- Must not be covered under any private prescription reimbursement plan
- Must not have voluntarily canceled a local, state, federal or private prescription drug program within 6 months prior to applying for enrollment
- Covers all prescription drugs covered by the Kansas Medicaid Program
- Requires copayment of not more than 30% of the cost of each prescription
- Annual maximum individual benefit of \$1,500
- Pharmacies to receive AWP-10% + \$3.90 dispensing fee or the usual and customary cost, whichever is lower
- Allows the Secretary of Aging to
 - ▶ modify income levels, maximum benefit level, and copayment level, if it is found the appropriated funds do not meet projected expenditures for the fiscal year
 - ▶ limit the benefits to maintenance drugs or establish a period of open enrollment of not less than 30 days which includes an enrollment period for those who become eligible during the year
- Names the Secretary of SRS as the fiscal agent for the senior pharmacy assistance program

Greg Tugman, Division of the Budget, reviewed the key assumptions that could be used to estimate the fiscal impact of the bill – the number of eligible seniors in the population, the average cost of a prescription drug, and how many prescriptions a person would use in a given year. In discussing income limits prescribed in the bill, Mr. Tugman stated that the Department of Revenue has identified 47,000 persons who are 65 or older with annual incomes of less than \$16,000.

CONTINUATION SHEET

SENATE WAYS & MEANS COMMITTEE MINUTES

Duane Goossen, Director of the Division of the Budget, distributed a chart titled "Senior Service Trust Fund" which illustrated earnings on the trust fund assuming: 1) monies from the intergovernmental transfer for 5 quarters in FY 2001 and \$24 million each quarter in the two following fiscal years and 2) a steady 8% earnings (Attachment 1). The Director stated that the Budget Division can plug in different factors, but they need to know all the assumptions before they can estimate costs.

Members discussed some of the variables that could greatly impact the pharmacy program, such as a steady 8% earnings, the "banking of earnings" prior to payouts illustrated in the chart, and the lack of a definition of income.

Representative Carlos Mayans, appeared before the Committee in support of **HB 2814** and reviewed his testimony (Attachment 2). He told members that he had evaluated pharmacy plans of other states and used the best parts to make up the components of this bill. He stated that the biggest unknown factor in the bill is the number of participants. Members expressed concern about implementing any program that might become dependent on the SGF or that might be perceived as an entitlement. In answer to Senator Downey, Representative Mayans stated that he would not object if restrictions were put on income eligibility.

Karen Braman, SRS pharmacist, answered questions about assumptions made about pharmaceuticals in the fiscal note. She stated that the average prescription cost of \$36 is the average for all Medicaid beneficiaries, not for those over 67 years of age. She also noted that the cost is also dependent on other assumptions made in the bill such as types of drugs that are covered.

Written testimony from Sheila Frahm on behalf of Kellstrom Pharmacy (Attachment 3) and from House Majority Leader Kent Glasscock in support of **HB 2814** were distributed to members (Attachment 4).

The Chairman appointed a subcommittee of Senator Salisbury (Chairperson), Senator Ranson and Senator Downey to review **HB 2814** to determine some of the assumptions so that the program could be "priceable," and to give consideration to prioritizing the population of persons who could avoid nursing home care.

The Chairman noted that usage of the earnings from the Senior Services Trust Fund as proposed in the intergovernmental transfer bill are not limited to the pharmacy program, but funding for **HB 2814** is dependent upon passage of that bill.

TOBACCO SECURITIZATION

The Chairman asked that Ken Frahm, President of Kansas Development Finance Authority, provide information to the Committee regarding tobacco securitization. Mr. Frahm noted that the Legislature had determined last year that tobacco settlement monies would be credited to the Kansas Endowment for Youth Fund. Mr. Frahm stated that KEY anticipates the receipt of \$2 billion over 30 years, and that amount is dependent on the financial health of tobacco companies and on a formula which is based, in part, on tobacco consumption. He said that KDFFA is proposing that a mechanism be established so that the risk associated with receipt of the settlement monies can be passed onto bond investors. He urged the Committee to act this legislative session on this proposal because he believes there could be an overabundance of bonds in the future which will cause the interest on the risk premium to rise.

Leslie Casson, Financial Analyst, KDFFA, gave members some of the historical background of the agency's involvement in the determination that securitization would be a good option for Kansas to make the most out of tobacco settlement payments. She explained that with securitization an investor is buying a revenue stream made into a security. Securitization does not have an additional promise to pay -- if the revenue stream dries up, the issuer does not have to pay the debt. As a result of that, the investor asks for a higher premium on the interest rate and a higher coverage ratio. She told members that she believes the state can issue the bonds at 9.5% interest and invest the proceeds at 10% interest or more.

Ms. Casson reviewed the proposal contained in a document entitled "KDFFA - Tobacco Settlement

CONTINUATION SHEET

SENATE WAYS & MEANS COMMITTEE MINUTES

Securitization" (Attachment 5). In answer to a question regarding the chart "Receive As You Go vs. Proposed Securitization" (Attachment 5-4), Ms. Casson stated that securitization assumes a coverage ratio of 1.35. She explained that the state will receive tobacco settlements every year and if it is the amount that has been predicted, 74% will be used to make the principal and interest payments to the bond holders and the other 26% will flow directly into the KEY Fund. If the settlement payments come in below projections, the bond holder takes the risk; if they come in higher than projected, the KEY Fund receives the excess above the amount needed for debt service on the bonds. Ms. Casson stated that interest earnings and the residual are more than enough to meet the 1999 spending stipulation and keep the corpus intact. In answer to a question about what would happen if the revenue stream dries up, Ms. Casson stated that with securitization the state would still have \$415 million in corpus, assuming that the state would walk away from default on the bonds. She added that securitization would be structured to create a bankruptcy remote entity that issues bonds and that would put a legal wall between whether the bond investors could come back and try to get funds from the state. She stated that rating agencies have assured K DFA that the state's credit worthiness would not be affected if this is structured as a securitization with nonrecourse. It was noted that these would be taxable bonds because nontaxable bond proceeds have to be spent on capital improvements.

In discussing the urgency associated with taking action on tobacco securitization this legislative session, Ms. Casson stated that the market will be saturated when \$10 billion worth of bonds has been issued and \$1.1 billion has already been issued. Other states are interested in pursuing tobacco securitization and it was pointed out that Arkansas is considering calling a special session to consider enabling legislation for this concept (Attachment 6).

In reviewing "Structure vs. Goals" (Attachment 5-6), Ms. Casson told members that if the securitization proposal passes, the Legislature might want to consider some language that would give the finance team the flexibility to modify the structure required by the market in order to maximize the benefit to the state.

Mr. Frahm said, "If you were a bond investor and somebody offered you a bond issue securitized by those payments with the risks I've mentioned (the inherent uncertainty of the settlement payments and decreased consumption), what kind of interest rate would you want? Investors are willing to do it for approximately 1% premium." It was the consensus of the Committee that tobacco securitization was a good idea and should be done this legislative session. The Chairman asked that staff from K DFA and the Revisors Office work together to draft a bill and the Committee would review the draft the next day.

The Chairman complimented the staff of K DFA, noting that this was their initiative. Members stated that they thought the proposal was extremely impressive.

The Chairman adjourned the meeting at 1:30 p.m. The next meeting will be March 31, 2000.

SENATE WAYS & MEANS COMMITTEE GUEST LIST

DATE: March 30, 2000

NAME	REPRESENTING
Joanna Manders	Washburn Univ.
Jeff Botkober	Merck
Stan Parson	Smoot & Assocs.
Bill Brady	Ks Asset Consulting
Rob Woodard	KPERs
Sally Kyle	WU. SW Student
Karen Caldwell	WU. Student
Jamel Francis	Jamel Francis
Joyce Kessler	WU student
Tracy Watson	WU student
Rela Breedon	KPERs
Orna Lofato	WU. student
Michelle Peterson	PhRMA
Bill Hongill	Governor's office
Greg Tjeman	DOB
Kevin Ellens	The Salvation Army
Sally Finney	Ks. Public Health Assn.
KEVIN WAIKER	AMERICAN HEART ASSOCIATION
TODD FRAIZER	KANSAS DEVELOPMENT FINANCE AUTH.
Sheli Sweeney	KDOA

Senior Service Trust Fund

FY 2001	July 2000	Aug 2000	Sept 2000	Oct 2000	Nov 2000	Dec 2000	Jan 2001	Feb 2001	Mar 2001	Apr 2001	May 2001	June 2001
Corpus	14,400,000	28,800,000	28,800,000	28,800,000	43,200,000	43,200,000	43,200,000	57,600,000	57,600,000	57,600,000	72,000,000	72,000,000
Monthly Earnings	96,000	192,000	192,000	192,000	288,000	288,000	288,000	384,000	384,000	384,000	480,000	480,000
Cumulative Earnings	96,000	288,000	480,000	672,000	960,000	1,248,000	1,536,000	1,920,000	2,304,000	2,688,000	3,168,000	3,648,000
8.0 Percent Rate	0.667%	0.667%	0.667%	0.667%	0.667%	0.667%	0.667%	0.667%	0.667%	0.667%	0.667%	0.667%

FY 2002	July 2001	Aug 2001	Sept 2001	Oct 2001	Nov 2001	Dec 2001	Jan 2002	Feb 2002	Mar 2002	Apr 2002	May 2002	June 2002
Corpus	72,000,000	88,800,000	88,800,000	88,800,000	105,600,000	105,600,000	105,600,000	122,400,000	122,400,000	122,400,000	139,200,000	139,200,000
Monthly Earnings	480,000	592,000	592,000	592,000	704,000	704,000	704,000	816,000	816,000	816,000	928,000	928,000
Cumulative Earnings	480,000	1,072,000	1,664,000	2,256,000	2,960,000	3,664,000	4,368,000	5,184,000	6,000,000	6,816,000	7,744,000	8,672,000
8.0 Percent Rate	0.667%	0.667%	0.667%	0.667%	0.667%	0.667%	0.667%	0.667%	0.667%	0.667%	0.667%	0.667%

FY 2003	July 2002	Aug 2002	Sept 2002	Oct 2002	Nov 2002	Dec 2002	Jan 2003	Feb 2003	Mar 2003	Apr 2003	May 2003	June 2003
Corpus	139,200,000	156,000,000	156,000,000	156,000,000	172,800,000	172,800,000	172,800,000	189,600,000	189,600,000	189,600,000	206,400,000	206,400,000
Monthly Earnings	928,000	1,040,000	1,040,000	1,040,000	1,152,000	1,152,000	1,152,000	1,264,000	1,264,000	1,264,000	1,376,000	1,376,000
Cumulative Earnings	928,000	1,968,000	3,008,000	4,048,000	5,200,000	6,352,000	7,504,000	8,768,000	10,032,000	11,296,000	12,672,000	14,048,000
8.0 Percent Rate	0.667%	0.667%	0.667%	0.667%	0.667%	0.667%	0.667%	0.667%	0.667%	0.667%	0.667%	0.667%

Senate Ways and Means Committee

Date *March 30, 2000*

Attachment # *1*

CARLOS MAYANS
REPRESENTATIVE, 100TH DISTRICT
SEDGWICK COUNTY
1842 N. VALLEYVIEW
WICHITA, KS 67212
316-722-0286



TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
CHAIRMAN
LOCAL GOVERNMENT
MEMBER
FEDERAL AND STATE AFFAIRS
FINANCIAL INSTITUTIONS
HEALTHCARE REFORM
LEGISLATIVE OVERSIGHT

STATE CAPITOL—115-S
TOPEKA, KANSAS 66612-1504
785-296-7616
TOLL FREE (DURING SESSION) 1-800-432-3924

Mr. Chairman and Members of the Committee, I do appreciate the opportunity of being here today and sharing with you the good news in HB 2814.

HB 2814, is a bipartisan effort to bring some relief and assistance to eligible needy seniors age 67 and above and with an income level of \$14,000 or less with their prescription medications. This innovative program will provide some assistance to senior participants when purchasing their much needed prescriptions. After the participant pays a 30% copayment per prescription, the state will assist with the purchase of their medications up to an annual benefit of \$1,500 per annum.

Sixteen other states already have some type of prescription medication program in place to help their seniors purchase their medicines. In addition, those states have found that helping their participants with the purchase of their medicines keeps those folks ~~from~~ following their drug regime and consequently, they are entering the nursing facilities at a later date and their quality of life is much improve.

The prescription plan as passed by the House is an affordable plan and we ask for your support.

Thank you for the opportunity of being with you today.

Rep. Carlos Mayans

LANA OLEEN
SENATOR, 22ND DISTRICT
GEARY AND RILEY COUNTIES



TOPEKA

SENATE CHAMBER

CHAIR: FEDERAL AND STATE AFFAIRS
CHAIR: CORRECTIONS/JUVENILE JUSTICE
CHAIR: LEGISLATIVE POST AUDIT
VICE CHAIR: JUDICIARY
MEMBER: EDUCATION
CONFIRMATION OVERSIGHT
LEG. EDUCATIONAL PLANNING
KANSAS SENTENCING COMMISSION

LEGISLATIVE HOTLINE
1-800-432-3924

March 24, 2000

Chairman Kerr and Members of the Ways and Means Committee:

I have attached a letter which addresses the proposed fee cuts to pharmacists being paid for dispensing medicaid prescriptions. It discusses several different options to consider. John Kellstrom, a local pharmacist, has summarized some strategies which might help formulate some new policy in this area.

Please consider his letter's main points when you discuss HB2814.

Thank you for your consideration,

Sincerely,


Senator Lana Oleen

ks

cc: John Kellstrom

Senate Ways and Means Committee

Date *March 30, 2000*

Attachment # *3*

KELLSTROM PHARMACY

Shawn Kokenge R.Ph. John Kellstrom R.Ph. Kristin Badders R.Ph.

1860 Claflin Road, Manhattan, KS
776-1200

March 17, 2000

Senator Lana Oleen

Dear Lana,

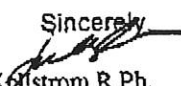
I am opposed to cutting the fee pharmacist's are paid for dispensing medicaid prescriptions. I think that other methods of saving dollars should be examined first before cutting fees. Let me list some of them.

- 1) Increase MAC pricing (maximum allowable cost) note SRS estimates a \$500,000.00 savings.
- 2) Maximize formulary rebates from manufacturers
- 3) Work on use of a disease state management program to control appropriate use of medication.
- 4) Reduce days supply of Rx's to 30 days and limit early refills (this has just been started, however there has not been enough time to realize what the savings will occur - we estimate close to 2 million)
- 5) Repeal Existing restrictions on prior authorizations (HB 2998). This will allow medicaid to better manage the Medicaid Drug Formulary. This will allow medicaid to require PA on expensive drugs making sure other least costly alternatives have been tried. The physician would still be able to prescribe higher cost drugs without prescribing lower cost drugs, if in his/her opinion the patient still needs the expensive drug. The drug would still require a PA. There are safegaurds in place to protect against SRS for limiting access to drugs simply because they are expensive. The safegaurds are Statute requires SRS to have an open formulary - SRS must get approval from DUR board before any drug can be PA'd - SRS must go thru rule/reg process before they can PA a drug

PLEASE DON'T CUT PHARMACISTS FEES

- 1) Pharmacist are not responsible for the increased cost of drugs
 - 2) Cutting fees could cause access problems (pharmacists will drop out of program) SRS has already seen this happen with physicians.
 - 3) The state will not save that much money by decreasing fees.
 - 4) In response to pharmacists receiving less money for state employees drug plan: Medicaid is a very difficult program to manage (we bill for Nursing home resident Rx's 60 days after filling). We have to chase payment from insurance companies first before billing medicaid (chase & pay), this is very labor intensive and time consuming. The majority of my Medicaid patients are in a nursing home. They require special unit dose packaging and 24 hour on call service, 365 days of the year. This is an added burden and cost.
 - 5) We have to deal with many difficult situations such as patients in spend down. The collection of a \$2.00 copay which patients rarely have. And we must still dispense the prescription even if patient does not have the \$2.00 copay by law.
- Pharmacists are an essential part of the solution to controlling Medicaid drug costs. We are willing to help SRS cut costs, however how can we help if our fees are lowered. Please don't cut my fee and then ask for help.

Sincerely


John Kellstrom R.Ph.
Kellstrom Pharmacy
1-800-794-1201
785-776-1115 fax

KENT GLASSCOCK

MAJORITY LEADER
State Capitol, Room 381-W
Topeka, Kansas 66612-1504
(785) 296-7662
kentglasscock@house.state.ks.us



STATE REPRESENTATIVE
62nd District
P.O. Box 37
Manhattan, Kansas 66505
(785) 776-5353, Ext. 108

HOUSE OF REPRESENTATIVES

**Testimony
on House Bill 2814
Submitted by
House Majority Leader Kent Glasscock
to the
Senate Ways and Means Committee**

I would like to thank you for the opportunity to support House Bill 2814. This measure, the Senior Pharmacy Assistance Act, proposes to ease the heavy burden of high prescription costs for the elderly in our state. In the last decade, the cost of pharmaceuticals has sky-rocketed. I am confident this legislation will help insure that the seniors citizens in Kansas do not have to make a choice between their groceries and their medicine.

The bill provides up to \$1500 a year to seniors for prescription relief, with participants paying up to 30 percent of the prescription price. To be eligible, Kansans must be 67 years of age and have an individual annual income below \$14,000, or a household income of less than \$16,000. The qualifying age will later drop to 65. The benefit would cost the state \$8.5 million – only one-tenth of one percent of the state's total budget. This is a small price for a program that will pay with big results for the neediest of senior citizens.

This program has been well received and it is critical that it become law. Earlier this week Emerson Lynn of the *Iola Register* published an editorial praising our efforts to step in and provide help to Kansas seniors. As Lynn sees it, the Kansas legislature should have the courage to move forward in this effort. I hope this committee will see fit to do so.

Senate Ways and Means Committee

Date *March 30, 2000*

Attachment # *4*



KANSAS DEVELOPMENT FINANCE AUTHORITY

Tobacco Settlement Securitization

Taxable Securitization Proposal

March 30, 2000

Why Securitize?	1
Kansas Development Finance Authority Proposal	2
Receive As You Go vs. Proposed Securitization.....	3
Receive As You Go and Securitization Projection Detail	6
Taxable Securitization Investment Income Sensitivity Analysis	9
Estimated Tobacco Settlement Receipts to the State of Kansas	12
Taxable Securitization Debt Service Schedules	17
Taxable Securitization Investment Income Sensitivity Analysis Detail.....	22

Senate Ways and Means Committee

Date *March 30, 2000*

Attachment # *5*

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.

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	
		Good	Poor
U.S. Cigarette Consumption	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

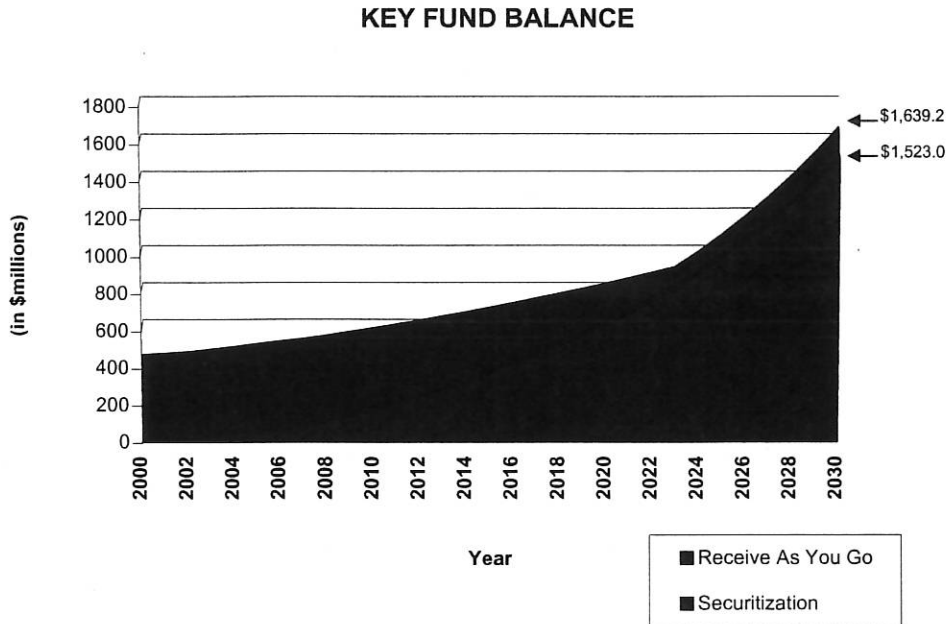
- ◆ **Replaces the risk of a single industry receivable with a diversified portfolio**
- ◆ **Increases reliability of revenue budgeting allowing more budget flexibility**
- ◆ **Eliminates potential conflicts between budget reliance on TSRs and efforts to eliminate tobacco consumption**
- ◆ **Maximizes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

Kansas Development Finance Authority Proposal

Based on the benefits a securitization offers, KDFFA 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.

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	
	Gross Value	Present Value	Gross Value	Present Value
<i>(in millions)</i>				
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	<u>\$1,523.0</u>	<u>\$293.8</u>	<u>\$1,639.2</u>	<u>\$635.7</u>

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 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).

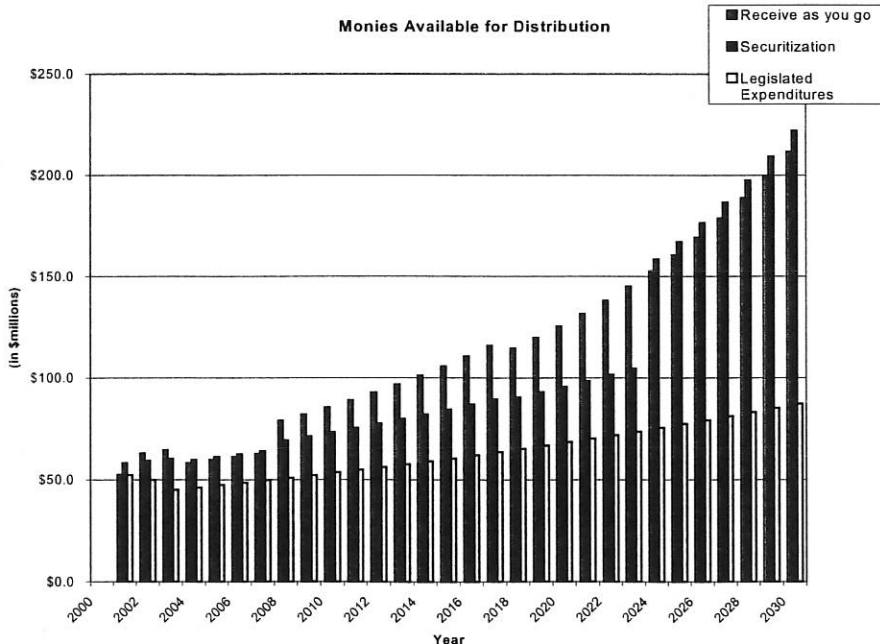
Structure vs. Goals

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 K DFA 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 K DFA 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:



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.

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) <i>(from Schedule 1)</i>	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
	<u>\$2,027.9</u>	<u>\$1,389.8</u>	<u>\$1,894.7</u>		<u>\$631.2</u>	<u>\$203.9</u>	<u>\$541.3</u>	

Notes:

- The TSRs presented are the TSRs based on KDFA projections. These amounts include volume, inflation, and settling states adjustments. See Schedules 1 through 4.
- Investment income is projected at approximately 10%. This is the interest rate assumed by the 1999 Session Legislature.
- The transfers are the projected expenditures taken from the KEY Fund legislation: Chapter 172 of the 1999 Session Laws.
- 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):	Gross Value	Present Value
<i>(Receive as you go TSRs)</i>		
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

* Taken to page 3

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)

5-10

Date	Beginning Key Fund Balance	Annual Residual Additions (2) <i>(from Schedule 7)</i>	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
		<u>\$913.4</u>	<u>\$2,204.7</u>	<u>\$1,894.7</u>		<u>\$205.3</u>	<u>\$555.9</u>	<u>\$541.3</u>	

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 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

Taken to page 3

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%.

<i>Investment rate</i>	<u>0%</u>	<u>6%</u>	<u>7%</u>	<u>8%</u>	<u>9%</u>
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):	<u>(1,894,700,000)</u>	<u>(1,894,700,000)</u>	<u>(1,894,700,000)</u>	<u>(1,894,700,000)</u>	<u>(1,894,700,000)</u>
KEY Fund Balance (as of 6/01/2030):	(\$565,530,015)	(\$212,956,000)	(\$53,222,282)	\$314,091,218	\$859,458,352

<i>Investment rate</i>	<u>10%</u>	<u>11%</u>	<u>12%</u>	<u>15%</u>	<u>20%</u>
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:	<u>(1,894,700,000)</u>	<u>(1,894,700,000)</u>	<u>(1,894,700,000)</u>	<u>(1,894,700,000)</u>	<u>(1,894,700,000)</u>
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.

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%.

<i>Investment rate</i>	<u>0%</u>	<u>6%</u>	<u>7%</u>	<u>8%</u>	<u>9%</u>
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):	<u>(541,278,580)</u>	<u>(541,278,580)</u>	<u>(541,278,580)</u>	<u>(541,278,580)</u>	<u>(541,278,580)</u>
KEY Fund Balance (as of 6/01/2030):	\$79,833,288	\$259,101,858	\$314,554,507	\$395,550,427	\$500,411,066

<i>Investment rate</i>	<u>10%</u>	<u>11%</u>	<u>12%</u>	<u>15%</u>	<u>20%</u>
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:	<u>(541,278,580)</u>	<u>(541,278,580)</u>	<u>(541,278,580)</u>	<u>(541,278,580)</u>	<u>(541,278,580)</u>
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	<u>\$94,620,364</u>	<u>\$1,864,947,561</u>	<u>\$137,431,123</u>	<u>\$2,096,999,048</u>	<u>\$2,066,000,000</u>

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.

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

Year	MSA Total Upfront Payment (1) A	Adjustment (2) B	Adjusted Volume (3) C	Kansas Allocation (1) D	Kansas Payment E
		<i>Actual volume/base volume factor</i>	<i>Column A - (Column A *.98* (1-Column B)</i>		<i>Column C * Column D (taken to Exhibit 1)</i>
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	<u>\$12,741,765,944</u>		<u>\$11,349,841,808</u>		<u>\$94,620,364</u>

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: $VA = ABP - (ABP * .98 * (1 - \text{actual volume/base volume}))$.

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)	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
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	<u>\$252,890,000,000</u>		<u>\$431,369,806,400</u>		<u>\$253,392,326,532</u>		<u>\$223,703,009,261</u>		<u>\$1,864,947,561</u>

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)).

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

5-18

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
		<i>Inflation assumed at 3% per annum</i>	<i>Column A * B</i>	<i>Based on approximate 2.5% percent of decline after year 2000; year 2000 approximates actual</i>	<i>Column C -(Column C * .98* (1-Column D))</i>		<i>Column E *(1-Column F)</i>		<i>Column G * Column H (taken to Exhibit 1)</i>
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	-	-	-	-	-	-	-	-	-
	<u>\$8,610,000,000</u>		<u>\$12,878,493,600</u>		<u>\$8,463,479,157</u>		<u>\$7,427,771,425</u>		<u>\$137,431,123</u>

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.....	<u>2,461,094.58</u>
TOTAL SOURCES.....	<u><u>\$469,611,094.58</u></u>

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.....	<u>415,763,500.00</u>	<i>Taken to Projection 2</i>
TOTAL USES.....	<u><u>\$469,611,094.58</u></u>	

File = Taxable3.sf

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.

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
					<i>(taken to Projection 2)</i>
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	<u>\$1,602,658,235</u>	<u>\$121,686,122</u>	<u>\$1,724,344,357</u>	<u>\$1,238,784,241</u>	<u>\$418,612,357</u>

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

<u>Date</u>	<u>Total Revenues</u>	<u>Total D/S</u>	<u>Coverage</u>
			<i>(used in Projection 2)</i>
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	<u>\$1,677,629,357</u>	<u>\$1,238,784,241</u>	

File = Taxable3.sf

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.

5-25

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) <i>(from Schedule 7)</i>	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
		<u>\$913,406,485</u>	<u>\$0</u>	<u>\$1,894,700,000</u>		<u>\$205,348,368</u>	<u>\$0</u>	<u>\$541,278,580</u>	

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.

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

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

5-26

Date	Beginning Key Fund Balance	Annual Residual Additions (2) <i>(from Schedule 7)</i>	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
		<u>\$913,406,485</u>	<u>\$352,574,015</u>	<u>\$1,894,700,000</u>		<u>\$205,348,368</u>	<u>\$179,268,570</u>	<u>\$541,278,580</u>	

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, K DFA 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)

5-27

Date	Beginning Key Fund Balance	Annual Residual Additions (2) <i>(from Schedule 7)</i>	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
		<u>\$913,406,485</u>	<u>\$512,307,733</u>	<u>\$1,894,700,000</u>		<u>\$205,348,368</u>	<u>\$234,721,219</u>	<u>\$541,278,580</u>	

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, KIDFA 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.

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) <i>(from Schedule 7)</i>	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
		<u>\$913,406,485</u>	<u>\$879,621,233</u>	<u>\$1,894,700,000</u>		<u>\$205,348,368</u>	<u>\$315,717,139</u>	<u>\$541,278,580</u>	

28-5

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

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

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

5-29

Date	Beginning Key Fund Balance	Annual Residual Additions (2) <i>(from Schedule 7)</i>	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	5,735,556	15.220313
		<u>\$913,406,485</u>	<u>\$1,424,988,367</u>	<u>\$1,894,700,000</u>		<u>\$205,348,368</u>	<u>\$420,577,778</u>	<u>\$541,278,580</u>	

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

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

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

5-30

Date	Beginning Key Fund Balance	Annual Residual Additions (2) <i>(from Schedule 7)</i>	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
		<u>\$913,406,485</u>	<u>\$3,294,260,828</u>	<u>\$1,894,700,000</u>		<u>\$205,348,368</u>	<u>\$729,291,889</u>	<u>\$541,278,580</u>	

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.

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

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

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

5-31

Date	Beginning Key Fund Balance	Annual Residual Additions (2) <i>(from Schedule 7)</i>	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
		<u>\$913,406,485</u>	<u>\$4,800,887,083</u>	<u>\$1,894,700,000</u>		<u>\$205,348,368</u>	<u>\$952,496,449</u>	<u>\$541,278,580</u>	

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

5-32

3/30/00

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

Net Bond Proceeds: **\$415,763,500**

Date	Beginning Key Fund Balance	Annual Residual Additions (2) <i>(from Schedule 7)</i>	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
		<u>\$913,406,485</u>	<u>\$13,367,205,796</u>	<u>\$1,894,700,000</u>		<u>\$205,348,368</u>	<u>\$2,076,158,795</u>	<u>\$541,278,580</u>	

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

30

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

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

5-33

Date	Beginning Key Fund Balance	Annual Residual Additions (2) <i>(from Schedule 7)</i>	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
		<u>\$913,406,485</u>	<u>\$59,629,187,504</u>	<u>\$1,894,700,000</u>		<u>\$205,348,368</u>	<u>\$7,239,519,610</u>	<u>\$541,278,580</u>	

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

THE BOND BUYER

REGIONAL NEWS

March 30, 2000

Arkansas' Tobacco Consensus: Governor May Call Legislative Session

By Elizabeth Albanese

DALLAS - Enough **Arkansas** lawmakers have reached a consensus about the fate of the state's \$1.6 billion tobacco lawsuit settlement that Gov. **Mike Huckabee** is expected to call the General Assembly into a special session, state officials say.

An announcement detailing specifics of the session should come later this week because lawmakers and the governor appear to agree about how the tobacco windfall should be distributed among competing needs. In December, Huckabee endorsed a plan to earmark the tobacco-related income mainly for smoking-prevention programs and health care needs, though opponents suggested less should go to reducing tobacco use and more should go toward establishing a trust fund.

Huckabee said Tuesday that lawmakers who support an opposing plan sponsored by House Speaker **Bob Johnson**, D-Morrilton, have finally realized disputes about how to divide the funds could pose health risks to their constituents.

In comments made yesterday, the governor explained that lawmakers say most of their constituents are in favor of a plan drafted last year by the Coalition for a Healthy Arkansas Today, a group of health care providers. That plan includes bond-funded construction of university medical facilities, including a cancer research center. In all likelihood, a securitization would be used to obtain a

Senate Ways and Means Committee

Date *March 30, 2000*

Attachment # *6*

portion of these funds.

Despite the governor saying that a consensus is imminent, Johnson counters that about 60 of the 100 House members stand behind his plan, which spends less money on smoking prevention and cessation education and puts more in a trust fund.

One backer of Johnson's plan, Rep. **Terry Smith**, D-Hot Springs, said Huckabee may only attempt to pass enabling legislation for the tobacco funds, which requires a simple majority. An appropriation bill calls for a three-quarters majority in both the House and the Senate.

Huckabee spokesman **Rex Nelson** said the governor has considered seeking only enabling legislation. If the coalition program is passed with a strong majority, Nelson said, he doubts new legislators will alter the plan in 2001 when they discuss an appropriation bill.

Huckabee explained that the consensus is focused on a revamped version of the coalition plan that would initially place \$100 million in a trust fund. The original plan did not establish a trust fund, and lawmakers viewed the change as a concession to Johnson.

Copyright ©1997, 1998 The Bond Buyer. All Rights Reserved.

YOU ARE ENTITLED TO DISPLAY AND SEARCH THE CONTENT OF THIS SERVICE AT THE TERMINAL ACCESSING OUR SITE, AND TO DOWNLOAD ARTICLES, SOLELY FOR YOUR OWN TRANSITORY, INTERNAL USE. NO PART OF THIS SERVICE OR CONTENT CONTAINED HEREIN MAY BE OTHERWISE RETRANSMITTED, REDISTRIBUTED, COPIED, STORED, DOWNLOADED, ABSTRACTED, DISSEMINATED, CIRCULATED OR INCLUDED AS PART OF ANY OTHER PRODUCT OR SERVICE.



TODAY'S ISSUE

RECENT ISSUES

SECTIONS

HOME