

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Vice-Chairman Jay Emler at 10:35 A.M. on February 26, 2008, in Room 123-S of the Capitol.

All members were present except:

Senator Donald Betts, Jr. - excused  
Senator Steve Morris - excused

Committee staff present:

Jill Wolters, Senior Assistant, Revisor of Statutes  
Kristen Clarke Kellems, Assistant Revisor of Statutes  
Audrey Dunkel, Kansas Legislative Research Department  
Julian Efird, Kansas Legislative Research Department  
Cody Gorges, Kansas Legislative Research Department  
Reed Holwegner, Kansas Legislative Research Department  
J. G. Scott, Kansas Legislative Research Department  
Jarod Waltner, Kansas Legislative Research Department  
Melinda Gaul, Chief of Staff, Senate Ways & Means  
Mary Shaw, Committee Assistant

Conferees appearing before the committee:

Steve Weatherford, President, Kansas Development Finance Authority  
Brian Caswell, Baxter Springs, Representing the Kansas Pharmacy Association and the University of Kansas School of Pharmacy Advisory Board  
Amber Woehl, Community Pharmacist and recent University of Kansas School of Pharmacy graduate  
Dr. Ken Audus, Dean of the University of Kansas School of Pharmacy

Others attending:

See attached list.

### **Bill Introductions**

Senator McGinn moved, with a second by Senator V. Schmidt, to introduce a conceptual bill concerning abuse of elderly by family members. Motion carried on a voice vote.

Copies of the Kansas Legislative Research Department Budget Analysis Report for FY 2008 and FY 2009 were available to the committee.

### **Subcommittee reports on:**

#### **Kansas Department of Labor (Attachment 1)**

Subcommittee Chairman David Wysong reported that the subcommittee on the Kansas Department of Labor concurs with the Governor's recommendation in FY 2008 and concurs with the Governor's FY 2009 recommendation with adjustments.

Senator Wysong moved, with a second by Senator Schodorf, to adopt the subcommittee budget report on the Kansas Department of Labor in FY 2008 and FY 2009. Motion carried on a voice vote.

#### **Board of Tax Appeals (Attachment 2)**

Subcommittee Chairwoman Vicki Schmidt reported that the subcommittee on the Board of Tax Appeals concurs with the Governor's recommendation in FY 2008 and concurs with the Governor's FY 2009 recommendation with adjustment and notations.

CONTINUATION SHEET

MINUTES OF THE Senate Ways and Means Committee at 10:30 A.M. on February 26, 2008, in Room 123-S of the Capitol.

Senator V Schmidt moved, with a second by Senator Teichman, to adopt the subcommittee budget report on the Board of Tax Appeals in FY 2008 and FY 2009. Motion carried on a voice vote.

Vice Chairman Emler welcomed Steve Weatherford, President, Kansas Development Financial Authority, who continued the briefing on bonding (Attachment 3). Mr. Weatherford reviewed the first portion of his briefing that was presented at a previous meeting. Information was provided regarding a comparison of Kansas to the surrounding states and the review of credit ratings. Mr. Weatherford provided details on tax-supported debt in the appendix of his written testimony. Committee questions and discussion followed.

The Committee heard a briefing on Pharmacy Shortage and the Chairman welcomed Brian Caswell, Baxter Springs, representing the Kansas Pharmacy Association and the University of Kansas School of Pharmacy Advisory Board (Attachment 4). Mr. Caswell addressed the concern in that it is a challenge to access to a licensed pharmacist, in particular to rural Kansas counties, where the number of pharmacists is shrinking at an alarming rate. He noted that the U.S. population is aging at a rate never before seen due to the "Baby Boomers" along with better health care allowing seniors to live longer and healthier lives. Mr. Caswell noted that the average age of an independent pharmacy owner in the state of Kansas is 54 and many of the pharmacists are beginning to make retirement plans. Mr. Caswell mentioned that the solution to the increased demand is an increase in the supply of pharmacists.

Amber Woehl, Community Pharmacist and recent University of Kansas School Pharmacy graduate, mentioned that in 2004 following her graduation, she and her husband purchased City Pharmacy in Minneapolis, Kansas (Attachment 5). She noted that it is the only pharmacy serving Ottawa County. Ms. Woehl noted that if their pharmacy was forced to close its doors, the void left in the community would be substantial. She emphasized that expansion of the University of Kansas School of Pharmacy is an investment in Kansas' health and economic viability.

Dr. Ken Audus, Dean of the University of Kansas School of Pharmacy, explained that the community pharmacies play a vital role in maintaining the core infrastructure of towns all across the state (Attachment 6). He noted that these community pharmacies are not just filling prescriptions, but they are meeting critical health care delivery needs for many Kansans. Mr. Audus described the plan that was developed by the Kansas Pharmacists Association and the endorsement of the Kansas Board of Regents to nearly double the number of pharmacists in the state which is detailed in his written testimony.

Chairman noted that the committee will take up this issue at a later time regarding the funding issue the thanked those that appeared before the Committee.

The meeting adjourned at 12:00 p.m. The next meeting was scheduled for February 27, 2008.

**SENATE WAYS AND MEANS  
GUEST LIST**

Date February 26, 2008

NAME	REPRESENTING
SHEENA WARD	BUDGET
Brady Heabe	DOB
Jim MacMurray	KDFA
Steve Weatherford	KDFA
Nick Lehman	KDFA
Duane Goossen	DOB
Lauren Nefflin	Commerce
Effie Swanson	Sen. D Schmidt
Melissa Labra	Sen. G. Hardwin
Adam Ree /	Rep. Hill
MARK BOZAN / K	CAPITOL STRATEGIES
Mary Sloan	KAHSA
NON GACHES	GBBA
Kenneth Michter	Kansas University, School of Pharmacy
BRYAN LAWRENCE	KU School of Pharmacy
Jeanine Brizendine	Pharmacist - Wichita
Michael E. Coast	Pharmacist - St. Bernard Pharmacy
Charles Pote	Pharmacist - World Park
Lucy Burtnett	Pharmacists in Wichita
Ronald E Ragan	Pharmacy
George Brenner	Pharmacist
Ryan Harms	KU School of Pharmacy
Portrich Sartzer	Pharmacy



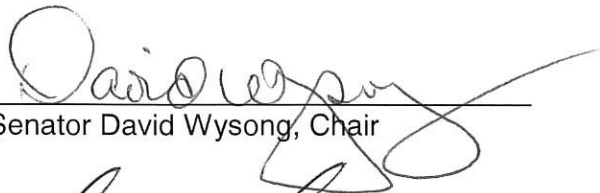




FY 2008 and FY 2009

SENATE WAYS AND MEANS SUBCOMMITTEE

Department of Labor



Senator David Wysong, Chair



Senator Greta Goodwin



Senator Mark Taddiken

Senate Ways and Means  
2-26-08  
Attachment 1

## Senate Subcommittee Report

**Agency:** Department of Labor **Bill No.** SB

**Bill Sec.**

**Analyst:** Gorges

**Analysis Pg. No.** Vol.-

**Budget Page No.** 269

Expenditure Summary	Agency Estimate FY 08	Governor's Recommendation FY 08	Senate Subcommittee Adjustments
Operating Expenditures:			
State General Fund	\$ 495,993	\$ 495,993	\$ 0
Other Funds	363,564,633	363,856,054	0
Subtotal - Operating	\$ 364,060,626	\$ 364,352,047	\$ 0
Capital Improvements:			
State General Fund	\$ 0	\$ 0	0
Other Funds	263,316	263,316	0
Subtotal - Capital Improvements	\$ 263,316	\$ 263,316	\$ 0
TOTAL	\$ 364,323,942	\$ 364,615,363	\$ 0
FTE Positions			
	552.0	552.0	0.0
Non FTE Uncl. Perm. Pos.			
	37.4	37.4	0.0
TOTAL	589.4	589.4	0.0

### Agency Estimate

The **agency** estimates current year operating expenditures of \$364,060,626, an increase of \$46,609,945, or 14.7 percent, above the approved amount. The agency estimates State General Fund expenditures of \$495,993, an increase of \$22,030, or 4.6 percent, above the approved amount. The State General Fund increase is attributed to reappropriated FY 2007 funds and Kansas Savings Incentive Program expenditures (KSIP).

### Governor's Recommendation

The **Governor** recommends current year operating expenditures of \$364,352,047, an increase of \$46,901,366, or 14.8 percent, above the approved amount. The Governor concurs with the agency's State General Fund estimate and adds \$291,421 from the Workmen's Compensation Fee Fund to pay for the Financial Management System (FMS) fee. The agency did not include any funding in the revised current year estimate for the FMS fee.

### Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the Governor's recommendation.

## Senate Subcommittee Report

**Agency:** Department of Labor **Bill No.** SB

**Bill Sec.**

**Analyst:** Gorges

**Analysis Pg. No.** Vol.-

**Budget Page No.** 269

Expenditure Summary	Agency Request FY 09	Governor's Recommendation FY 09	Senate Subcommittee Adjustments
<b>Operating Expenditures:</b>			
State General Fund	\$ 887,697	\$ 699,301	\$ (24,713)
Other Funds	358,370,209	359,642,928	(1,421,881)
Subtotal - Operating	\$ 359,257,906	\$ 360,342,229	\$ (1,446,594)
<b>Capital Improvements:</b>			
State General Fund	\$ 0	\$ 0	0
Other Funds	1,887,160	1,887,160	0
Subtotal - Capital Improvements	\$ 1,887,160	\$ 1,887,160	\$ 0
<b>TOTAL</b>	<b>\$ 361,145,066</b>	<b>\$ 362,229,389</b>	<b>\$ (1,446,594)</b>
<b>FTE Positions</b>			
FTE Positions	552.0	552.0	0.0
Non FTE Uncl. Perm. Pos.	37.4	37.4	0.0
<b>TOTAL</b>	<b>589.4</b>	<b>589.4</b>	<b>0.0</b>

### Agency Request

The **agency** requests FY 2009 operating expenditures of \$359,257,906, a decrease of \$4,802,720, or 1.3 percent, below the revised estimate. The request includes \$72,000 in enhancements from all other funds for five replacement vehicles.

The request also includes State General Fund expenditures totaling \$887,697, an increase of \$391,704, or 79.0 percent, above the revised estimate. The State General Fund increase is mainly attributed an enhancement request of \$421,287, a shift from special revenue funds, for the Employment Standards program.

### Governor's Recommendation

The **Governor** recommends FY 2009 operating expenditures of \$360,342,229, a decrease of \$4,009,818, or 1.1 percent, below the Governor's current year recommendation. The recommendation is an increase of \$1,084,323, or 0.3 percent, above the agency's FY 2009 request. The increase is attributed to an increase in salaries and wages of \$1,113,123 based on the Governor's pay plan. The Governor also recommends three replacement vehicles, a decrease of two vehicles from the agency's enhancement request, offsetting the increase by \$28,800.

The Governor recommends State General Fund expenditures totaling \$699,301, an increase of \$203,308, or 41.0 percent, above the Governor's current year recommendation. The recommendation is a decrease of \$188,396, or 21.2 percent, below the agency's current year



request. The Governor recommends a shift of \$210,644 from special revenue funds to the State General Fund for the Employment Standards program. The shift represents 50.0 percent of the revenue shift enhancement the agency requested.

### **Senate Subcommittee Recommendation**


The Senate Subcommittee concurs with the Governor's recommendation with the following adjustments:

1. **Pay Plan Adjustments.** Delete \$1,403,394, including \$24,713 from the State General Fund, to remove the following pay plan adjustments recommended by the Governor. Pay plan adjustments will be considered in a separate bill.
  - a. **State Employee Pay Increases.** Delete \$616,463, including \$13,208 from the State General Fund, to remove the amount recommended by the Governor for the 2.5 percent base salary adjustment.
  - b. **Classified Employee Pay Plan.** Delete \$496,660, including \$9,039 from the State General Fund, to remove the amount recommended by the Governor for FY 2009 pay increases for basic vocational classes and for those employees identified as having the most disparity relative to market rate.
  - c. **Longevity Pay.** Delete \$290,271, including \$2,466 from the State General Fund to remove the amount recommended by the Governor for longevity bonus payments.
2. **Vehicles.** Delete \$43,200, all from special revenue funds, recommended by the Governor as part of the agency's enhancement request for the purchase of replacement vehicles to review at Omnibus.

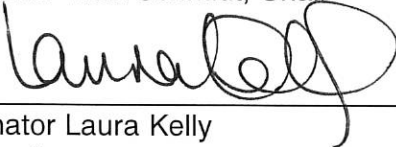
FY 2008 and FY 2009

SENATE WAYS AND MEANS SUBCOMMITTEE

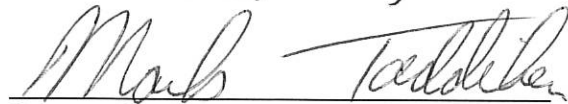
Board of Tax Appeals



Senator Vicki Schmidt, Chair



Senator Laura Kelly



Senator Mark Taddiken

Senate Ways and Means  
2-26-08  
Attachment 2

## Senate Subcommittee Report

**Agency:** Board of Tax Appeals      **Bill No.** SB      **Bill Sec.**

**Analyst:** Holwegner      **Analysis Pg. No.** Vol.-      **Budget Page No.**

Expenditure Summary	Agency Estimate FY 08	Governor's Recommendation FY 08	Senate Subcommittee Adjustments
<b>Operating Expenditures:</b>			
State General Fund	\$ 1,662,685	\$ 1,637,685	\$ 0
Other Funds	500,409	500,409	0
Subtotal - Operating	<u>\$ 2,163,094</u>	<u>\$ 2,138,094</u>	<u>\$ 0</u>
<b>Capital Improvements:</b>			
State General Fund	\$ 0	\$ 0	0
Other Funds	0	0	0
Subtotal - Capital Improvements	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>TOTAL</b>	<u><u>\$ 2,163,094</u></u>	<u><u>\$ 2,138,094</u></u>	<u><u>\$ 0</u></u>
FTE Positions	26.0	26.0	0.0
Non FTE Uncl. Perm. Pos.	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
<b>TOTAL</b>	<u><u>26.0</u></u>	<u><u>26.0</u></u>	<u><u>0.0</u></u>

### Agency Estimate

The Board of Tax Appeals requests a revised FY 2008 budget totaling \$2,163,094, including \$1,662,685 from the State General Fund. The revised budget request is an increase of \$25,000, or 1.2 percent, above the amount approved by the 2007 Legislature. The agency requests a supplemental enhancement of \$25,000 from the State General Fund to increase the compensation for small claims hearing officers. The revised estimate would fund 26.0 FTE positions.

### Governor's Recommendation

The Governor recommends \$2,138,094 from all funds. This includes \$1,637,685 from the State General Fund. The recommendation would fund 26.0 FTE positions. This is the same amount as approved by the Legislature. The Governor does not recommend the supplemental request.

### Senate Subcommittee Recommendation

The Subcommittee concurs with the Governor's recommendation.



## Senate Subcommittee Report

**Agency:** Board of Tax Appeals      **Bill No.** SB      **Bill Sec.**

**Analyst:** Holwegner      **Analysis Pg. No.** Vol.-      **Budget Page No.**

Expenditure Summary	Agency Request FY 09	Governor's Recommendation FY 09	Senate Subcommittee Adjustments*
<b>Operating Expenditures:</b>			
State General Fund	\$ 1,667,080	\$ 1,665,165	\$ (56,385)
Other Funds	501,234	501,234	0
Subtotal - Operating	<u>\$ 2,168,314</u>	<u>\$ 2,166,399</u>	<u>\$ (56,385)</u>
<b>Capital Improvements:</b>			
State General Fund	\$ 0	\$ 0	0
Other Funds	0	0	0
Subtotal - Capital Improvements	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>TOTAL</b>	<u><u>\$ 2,168,314</u></u>	<u><u>\$ 2,166,399</u></u>	<u><u>\$ (56,385)</u></u>
FTE Positions	26.0	26.0	0.0
Non FTE Uncl. Perm. Pos.	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
<b>TOTAL</b>	<u><u>26.0</u></u>	<u><u>26.0</u></u>	<u><u>0.0</u></u>

\*All of the Subcommittee's recommended reductions are related to pay plan adjustments.

### Agency Request

The Board of Tax Appeals requests expenditures of \$2,168,314 from all funds, including \$1,667,080 from the State General Fund. This is an increase of \$5,220, or 0.2 percent, above the revised current year estimate. Requested State General Fund expenditures are an increase of \$4,395, or 0.3 percent, above the revised budget. The request would finance 26.0 FTE positions. The agency's budget request includes one enhancement for \$50,000 from the State General Fund for hearing officer compensation.

### Governor's Recommendation

The Governor recommends \$2,166,399 from all funds. This includes \$1,665,165 from the State General Fund. Compared to the revised FY 2008 recommendation, this is an increase of \$28,305, or 1.3 percent, from all funds and an increase of \$27,480, or 1.7 percent, from the State General Fund. Compared to the agency's request, this is a decrease of \$1,915, or 0.1 percent, from all funds and a decrease of \$11,915, or 0.7 percent, from the State General Fund. The recommended budget would fund 26.0 FTE positions. The Governor does not recommend the enhancement requested by the agency.

## Senate Subcommittee Recommendation

The Subcommittee concurs with the Governor's recommendation with the following adjustment and notations:

1. **Pay Plan Adjustments.** Delete \$56,385, all from the State General Fund, to remove the following pay plan adjustments recommended by the Governor. Pay plan adjustments will be considered in a separate bill.
  - a. **State Employee Pay Increases.** Delete \$34,969, all from the State General Fund, to remove the amount recommended by the Governor for the 2.5 percent base salary adjustment.
  - b. **Classified Employee Pay Plan.** Delete \$13,116, all from the State General Fund, to remove the amount recommended by the Governor for FY 2009 pay increases for basic vocational classes and for those employees identified as having the most disparity relative to market rate.
  - c. **Longevity Pay.** Delete \$8,300, all from the State General Fund, to remove the amount recommended by the Governor for longevity bonus payments.
2. The Subcommittee notes that due to the closing of the Sedgwick County tax panel, there has been a 25 percent increase of small claim caseloads. The Subcommittee commends the Board of Tax Appeals in being able to handle the increased claims without requesting additional resources.
3. The Subcommittee notes that the Board's new case management system will come online in April. The new system should shorten the length of time for a case to heard. According to the agency, the Department of Revenue offered the use of its IT division. This resulted in the Board saving several thousands of dollars. The Department of Revenue is commended for its valuable cooperation.
4. The Subcommittee notes that Substitute for HB 2018 would increase the size of the Board of Tax Appeals from three to four members and change the name of the agency to Court of Tax Appeals. The legislation is supported by the agency.

## **Background**

In 2005, the Hugo Wall School of Urban and Public Affairs at Wichita State University published the "State of Kansas 2005 Debt Affordability Report". This report compiled and analyzed a large amount of data regarding the debt of the State; its historical trends; and, in comparison with other states.

In the Legislative sessions subsequent to this report, various legislative committees discussed formalizing a State debt policy and annual debt studies through legislation. Senate Bill 193 of the 2007 Session was the most advanced step in formalizing this process, however the bill was not passed by the end of the session.

With this report, KDFA hopes to help advance the formalization of an annual debt study and provide relevant data to assist policymakers in making financing decisions for the State. The purpose of this 2007 Debt Study is to give policymakers a picture of the State's debt position on June 30, 2007. It is anticipated that this report will be prepared annually such that the State's debt trends can be monitored. Further, the report makes some projections to help policymakers understand and measure the financial impact of future debt issuance.

The information generated by this analysis will be provided to the KDFA Board of Directors; the Governor's office; the State Budget Director; and, members of the Legislature. The analysis can be updated as revenue estimating forecasts are revised. The information can be used by the legislature to establish priorities during the legislative appropriation process. Additionally, as the legislature considers new financing initiatives, the long-term financial impact of any proposal can be evaluated upon request. The information generated by this analysis is important for policymakers to consider because their decisions on additional borrowing affect the fiscal health of the State.

This study is not meant to be a replication of the Comprehensive Annual Financial Report's (CAFR) Long-term Obligations section. The CAFR is prepared annually by the Division of Accounts and Reports.



## Terminology & Nomenclature

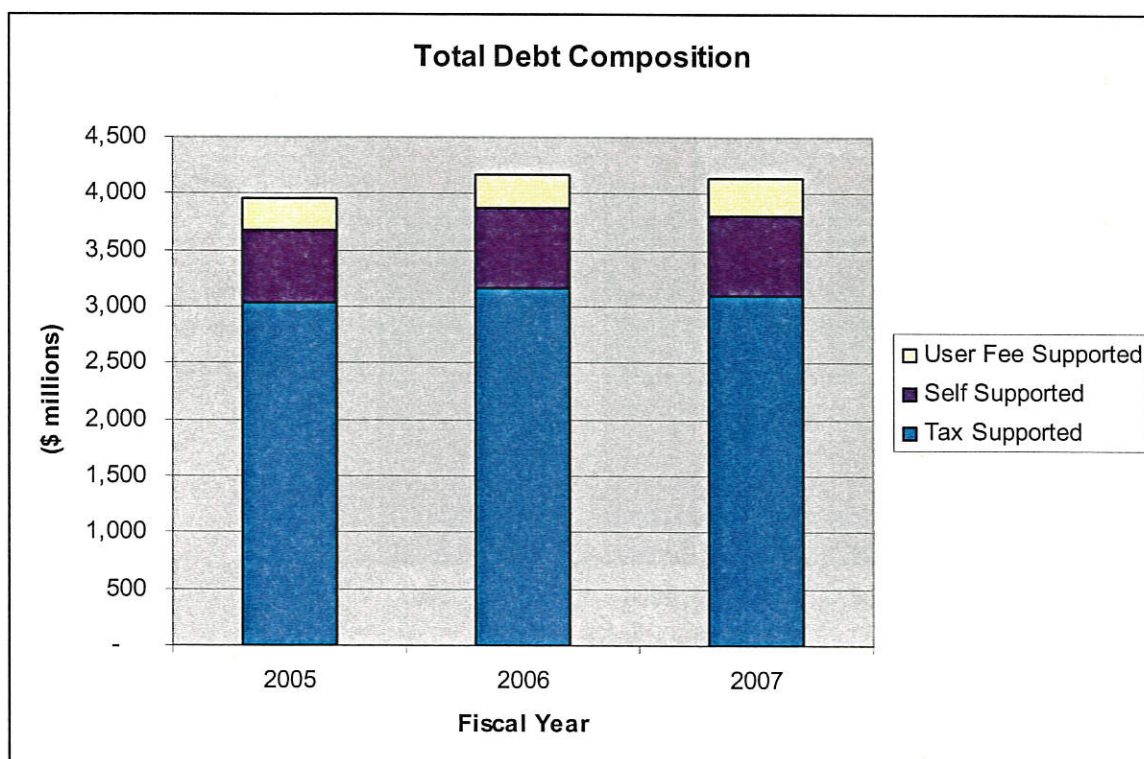
**User-Fee Supported Debt** is debt secured by revenues generated from the operation of the associated facilities that were financed by the debt issuance. *These obligations are not secured by traditional State tax revenues.* None of this debt is secured by a general obligation pledge or an annual appropriation by the Legislature of State revenues. Tabulated in Appendix page A-1.

**Self-Supporting Debt** is the primary obligation of a legal entity other than the State (in most cases these entities are city and county government units in the State). None of this debt is secured by a general obligation pledge or an annual appropriation by the Legislature of State revenues. Tabulated in Appendix page A-2.

**Tax-Supported Debt** is debt secured by traditional State revenues typically generated through taxation. For each debt issuance a specific pledge of revenues has been made to secure the repayment of principle and interest for the bonds (e.g. Highway Fund revenues for KDOT debt). None of this debt is secured by a general obligation pledge of State revenues. A portion of this debt is secured by an annual appropriation pledge by the Legislature. Tabulated in Appendix pages A-3 through A-5.

## Debt Outstanding

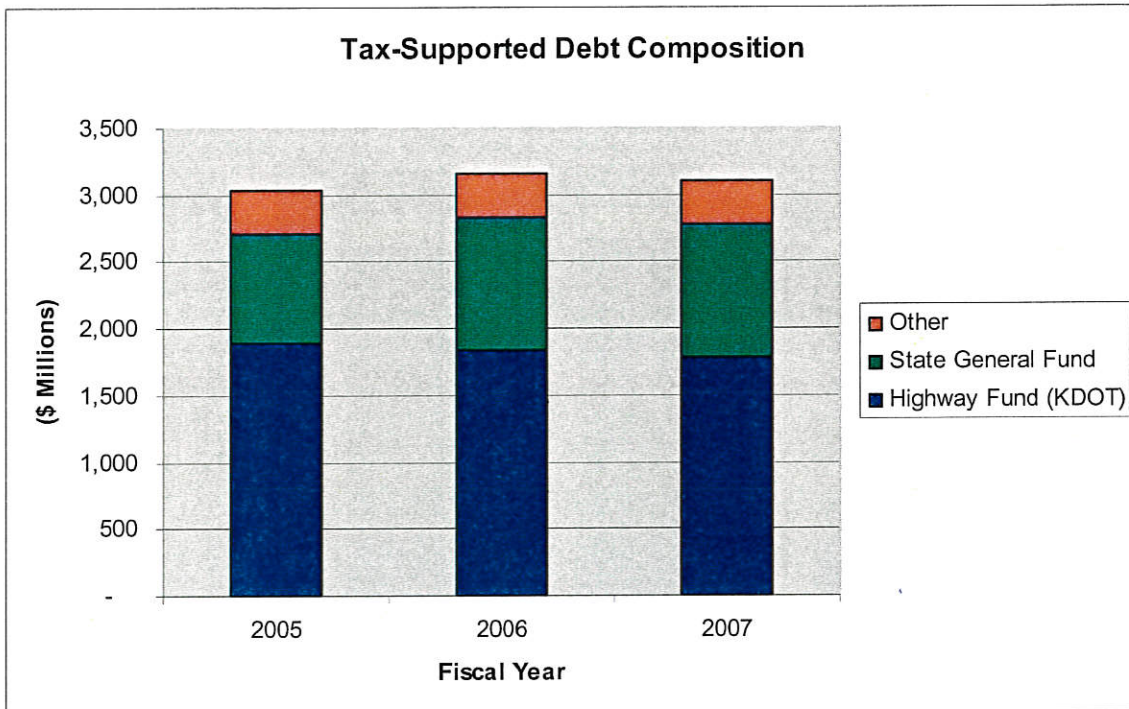
Total State debt outstanding at June 30, 2007 was \$4.132 billion approximately \$39.9 million LESS than at June 30, 2006. User-fee supported debt totaled \$326.2 million (Appendix page A-1). This represented a \$25.6 million INCREASE from the prior year. Additionally, self-supporting debt outstanding at June 30, 2007 was \$705.6 million which was \$5.1 million LESS than at June 30, 2006 (Appendix page A-2). Tax-supported debt totaled \$3.100 billion for financings supported by State tax revenues or tax-like revenues which was an annual DECREASE of approximately \$60.4 million (Appendix pages A-3 to A-5). Approximately one quarter of all debt is supported by the State General Fund (SGF).



<b>TOTAL DEBT</b> (\$ Millions)	<i>Fiscal Year End</i>					
	2005		2006		2007	
User Fee Supported	278	7.0%	301	7.2%	326	7.9%
Self Supported	642	16.2%	711	17.0%	706	17.1%
Tax Supported	3,040	76.8%	3,160	75.8%	3,100	75.0%
<b>Total</b>	<b>3,960</b>		<b>4,171</b>		<b>4,132</b>	

## Tax-Supported Debt

Tax-supported debt composes the majority of the State's debt. Further, the majority of tax-supported debt comes from the State's investment in transportation infrastructure as detailed below. Highway Fund (KDOT) debt was issued in conjunction with the State's Comprehensive Transportation Programs and is financed by motor fuel taxes, vehicle registration fees, sales taxes and federal aid reimbursements (Appendix A-5). State General Fund debt is backed by an annual appropriation pledge from the Legislature (Appendix A-4). Other Tax-Supported debt includes bonds secured by the Educational Building Fund and other Special Revenue Funds (Appendix A-3).



<b>TAX-SUPPORTED DEBT</b>	<i>Fiscal Year End</i>					
	<i>2005</i>		<i>2006</i>		<i>2007</i>	
(\$ Millions)						
Other	329	10.8%	326	10.3%	328	10.6%
State General Fund	822	27.0%	992	31.4%	982	31.7%
Highway Fund (KDOT)	1,889	62.1%	1,842	58.3%	1,789	57.7%
<b>Total</b>	<b>3,040</b>		<b>3,160</b>		<b>3,100</b>	



## State General Fund Debt Ratio

While there has been measurable growth in the percentage of SGF Revenues going towards debt service over the past several years, the overall percentage of SGF Revenues going towards debt service is small. The largest contributors for the growth in SGF Debt Service in recent years are from the following issuances of debt:

- 2004C Kansas Public Employees Retirement System (\$500.0M)
- 2005H State of Kansas Projects (\$88.2M)
  - Refunding prior SGF bonds - \$43.0M
  - Capitol Restoration - \$27.2M
  - Unemployment Benefit System - \$18.0M
- 2006A Kansas Department of Administration – Comprehensive Transportation Program (\$209.5M)

<b>SGF DEBT RATIO</b> <b>(Millions)</b>	<i>Fiscal Year</i>			
	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008*</i>
SGF Revenue	\$4,841.3	\$5,394.4	\$5,721.3	\$6,170.1
SGF Debt Service	\$39.7	\$48.2	\$63.3	\$86.0
Debt Service as % of Revenue	0.82%	0.89%	1.11%	1.39%
2004C Debt Service	\$0.0	\$10.0	\$15.0	\$26.1
2005H Debt Service	N/A	\$1.3	\$7.0	\$7.0
2006A Debt Service	N/A	N/A	\$4.8	\$16.2

*\* estimated*

## Proposed Debt Issuance

As of June 30, 2007, approximately \$395 million of debt is expected to be issued over the next several years based on current authorizations from the State Legislature. The largest portion of this additional authorized debt (\$138 million) is for state building renovation and expansion at the Capitol, Correction Facilities, Armories and a new Adjutant General Training Center near Salina. The next largest portion of this additional authorized debt (\$100 million) is from the Post-Secondary Educational Institution (PEI) loan program created by in the most recent legislative session (HB 2237). This program provides subsidized loans to post-secondary educational institutions (defined as community colleges, technical schools and Washburn University in the legislation). The loans are subsidized by the SGF, which pays the interest on the bonds issued to finance the loans, whereas the PEI repays the principal of the loans and thereby the principal on the bonds. The purpose of the loans is to assist the PEIs with maintaining their infrastructure.

### Authorized Proposed Debt Issuance

DESCRIPTION	AUTHORIZED BY	BALANCE AT 06/30/06	ISSUED IN FY 2007	AUTHORIZED IN FY 2007	BALANCE AT 06/30/07	ISSUED YTD FY 2008	Repayment Security
KSU Greenhouse Lab	SB 225 Sec 161, pg 162	1,700,000			1,700,000		Tax - EBF
KSU Horticulture Research Center	SB 225 Sec 161, pg 162	1500000			1,500,000		Tax - EBF
				subtotal	3,200,000		Tax -Other
BOR Community College loans (PEI Loan Program)	HB2237 Sec. 12 Page 4			100,000,000	100,000,000		SGF - Interest; Self-Supporting - Principal
Adjutant General - renovate armories	HB2482, Sec 47, pg 22	9,000,000	3,000,000		6,000,000		Tax - SGF
Adjutant General - training center	SB 357 Sec 54g			9,000,000	9,000,000	9,000,000	Tax - SGF
DOA - Capital Renovations	SB 480, Ch 174 & Ch 206	16,227,091	7,207,080		9,020,011	9,020,011	Tax - SGF
Dept of Corrections - cap improvement	HB 2368 Sec 185 Page 202			19,250,000	19,250,000	19,250,000	Tax - SGF
Dept of Corrections - expand prison capacity	HB 2368 Sec 185 Page 201			39,525,000	39,525,000		Tax - SGF
DOA - Capitol Renovations	HB 2368 Sec 171 Page 185			55,000,000	55,000,000	17,979,989	Tax - SGF
				subtotal	243,177,888	55,250,000	Tax - SGF
KSU Salina Campus Student Life Center	S Sub for HB 2968 Pg 17	2,000,000			2,000,000		User-Fee
University Research & Dev. KSU, Wichita State & Pittsburgh State	SB225, Sec 167, Pg 169	5,000,000			5,000,000		User-Fee
KSU Child Care Facility	HB 2368 Sec. 173 Page 188			6,000,000	6,000,000		User-Fee
KUMC parking facilities 4	HB 2368 Sec. 179 Page 194			8,150,000	8,150,000		User-Fee
KU Law Enforcement Training Facility	HB 2368 Sec. 178 Page 193			16,421,600	16,421,600	16,421,600	User-Fee
KSU parking garage	HB 2368 Sec. 173 Page 187			17,500,000	17,500,000	17,500,000	User-Fee
KSU Housing ( JARDINE)	SB225, Sec 160, Pg 161	63,136,229	25,136,229		38,000,000		User-Fee
KUMC ambulatory care facility	HB 2368 Sec. 179 Page 196			55,645,000	55,645,000		User-Fee
				subtotal	148,716,600	33,921,600	User-Fee
				TOTAL	395,094,488	89,171,600	

This table does not take into account future plans for: additional costs anticipated for Capitol Restoration; preliminary plans for the renovation or reconstruction of the Docking State Office Building; the next transportation program; or, any other planned capital expenditure that has not already been authorized by the Legislature to be financed through debt issuance.

The projects identified in the table above are authorized to be financed through debt issuance. Certain projects may have already been financed, and the authorization represents unissued debt which may be issued, if necessary, to complete the project, or may contain remainder authorization that ultimately will not be needed or issued. In some instances, the agencies elect to pursue a different course, and debt may never be issued for an authorized project.

As indicated by the second to last column, \$89.2 million of the outstanding authorizations at the end of Fiscal Year 2007 had been issued in the first half of Fiscal Year 2008.

***The estimated additional burden on the SGF in Fiscal Year 2009 from debt service if all of the SGF backed authorized debt was issued in Fiscal Year 2008 would be \$12.3 million which is about 0.2% of estimated Fiscal Year 2009 SGF revenue.*** This value was estimated using 20 year level debt service and an interest rate of 5% for the SGF authorizations indicated above except for the PEI Loan Program. For the PEI Loan Program, only \$20 million of the \$100 million can be issued in Fiscal Year 2008; the program amortizes its debt over eight years; and, the SGF is only responsible for the repayment of interest.

## Surrounding State Comparison

In April or May of each year, Moody's Investor Services has published a report titled "State Debt Medians". With this report Moody's calculates a handful of debt ratios for all fifty states and tabulates the results listing all the states in order for the various ratios. In the 2007 report the following data can be found for Kansas and surrounding states for comparison:

State	Net Tax-Supported Debt <sup>(1)</sup> Per Capita	Rank	Net Tax-Supported Debt as a % of 2005 Personal Income	Rank	Moody's Rating
Kansas	\$1,218	16	3.7%	18	Aa1 <sup>(2)</sup>
Oklahoma	\$450	39	1.5%	38	Aa2
Colorado	\$343	43	0.9%	44	NGO <sup>(3)</sup>
Nebraska	\$24	50	0.1%	50	NGO <sup>(3)</sup>
Iowa	\$104	48	0.3%	48	Aa1 <sup>(2)</sup>
Missouri	\$613	33	1.9%	34	Aaa
Surrounding Average	\$459		1.4%		
US Average	\$1,101		3.2%		

Notes: (1) Moody's defines Net Tax-Supported Debt to include some User-Fee Supported Debt. In the case for Kansas, this figure includes SGF backed debt, all other Tax-Supported debt including KDOT debt, and the majority of User-Fee Supported Debt. Further Moody's methodology does not appear to be consistent from one state to the next. A similar S&P's study yields consistent results

(2) Issuer Credit Rating

(3) No General Obligation Rating

While Kansas's ratios are measurably higher than the surrounding state group's, *it is important to note that Moody's rating, which is an "all in" measure of a state's ability and willingness to pay its obligations on time, is consistent with the surrounding state group.* Further, different states make different financing choices which leads to variations in the level of services provided by the state and the condition of the state's infrastructure.

***Kansas's ability and cost to using debt as a financing tool is determined by our credit rating not by the ranking in this study.*** In fact, while Oklahoma's per capita rankings are much lower than Kansas's, their credit rating is one notch lower. Further, Iowa's per capita rankings are near the bottom of the rankings but has the same credit rating as Kansas.

Finally, if comparisons are made on a GROSS tax-supported debt basis, Kansas's position in the rankings changes measurably. Moody's states: "...gross debt, which includes contingent liabilities that may not have direct tax-support but are included in state audited financial statements."

State	Gross Tax-Supported Debt Per Capita	Rank	Gross Tax-Supported Debt as a % of 2005 Personal Income	Rank	Moody's Rating
Kansas	\$1,303	28	4.0%	30	Aa1 <sup>(1)</sup>
Oklahoma	\$464	48	1.5%	48	Aa2
Colorado	\$1,784	18	4.7%	25	NGO <sup>(2)</sup>
Nebraska	\$25	50	0.1%	50	NGO <sup>(2)</sup>
Iowa	\$899	39	2.6%	40	Aa1 <sup>(1)</sup>
Missouri	\$625	44	1.9%	45	Aaa
Surrounding Average	\$850		2.5%		
US Average	\$1,802		5.3%		

Notes: (1) Issuer Credit Rating  
(2) No General Obligation Rating

## Review of Credit Ratings

Credit ratings are the rating agencies' assessments of a governmental entity's ability and willingness to repay debt on a timely basis. Credit ratings are an important indicator in the credit markets and influence interest rates a borrower must pay. Each of the rating agencies believe that debt management generally, and this debt report in particular, are positive factors in assigning credit ratings.

Kansas is a strong credit as reflected in our AA+ and Aa1 ratings from S&P and Moody's respectively. There are several factors which rating agencies analyze in assigning credit ratings: financial factors, economic factors, debt factors, and administrative / management factors. Weakness in one area may well be offset by strength in another. However, significant variations in any single factor can influence a bond rating.

Kansas's economy continued to demonstrate growth in Fiscal Year 2007. Actual general revenue collections for Fiscal Year 2007 were \$76.6 million more than the April 2007 estimates. The latest general revenue forecast completed in November 2007, projects a \$91.7 million decrease for Fiscal Year 2008, and a \$452.8 million increase in Fiscal Year 2009.

The outlook for the State's credit rating is stable. The rating agencies note that the State's debt burden has increased in recent years. However, the debt burden is still considered low to moderate at the current level. Positive factors listed in the rating reports include: substantial rebuilding of available balances in the last three fiscal years; positive economic trends; likely positive budgetary impact from recent gaming legislation; and, a relatively diverse economic base. However, challenges to the State's rating are presented by: budgetary pressure from education funding increases ordered by the Kansas Supreme Court; and, budgetary pressure from statutorily required pension fund increases and debt service on pension obligation bonds.



## User-Fee Supported Debt

Source of Repayment: revenues generated from the operation of the associated facilities that were financed by the debt issuance. These obligations are not secured by traditional State tax revenues. None of this debt is secured by a general obligation pledge or an annual appropriation by the Legislature of State revenues.

Series	Title	Balance 6/30/07
E, 1989	Kansas Board of Regents - Emporia State University Memorial Union Renovation Project	358,049
K, 1995	Kansas Board of Regents - Kansas State University Farrell Library Expansion Project	2,390,000
1997C	Kansas Board of Regents - University of Kansas Regents Center Refunding Project	1,115,000
1998B	Kansas Board of Regents - Kansas State University Student Union Renovation and Expansion Project	6,490,000
1998D	Kansas Board of Regents - University of Kansas Housing System Renovation Project - Lewis Hall Project	3,350,000
1998E	Kansas Board of Regents - Pittsburg State University Housing System Renovation Project - Willard Hall Project	3,980,000
1998H	Kansas Board of Regents - University of Kansas Continuing Education Building Purchase Project	1,235,000
1998P	Kansas Board of Regents - Pittsburg State University Horace Mann Administration Building Renovation Project	2,705,000
1999B	Kansas Board of Regents - University of Kansas Medical Center - Center for Health in Aging Project	2,175,000
1999C	Kansas Board of Regents - University of Kansas Child Care Facility Construction Project	2,310,000
1999D	Kansas Board of Regents - University of Kansas Parking Garage #2 Construction Project	5,210,000
2000B	Kansas Board of Regents - Wichita State University Parking System Project	3,780,000
2000D	Kansas Board of Regents - Kansas State University Ackert Hall Addition Project	1,140,000
2001B	Kansas Board of Regents - Emporia State University Student Recreation Facility Project	2,220,000
2001G-1	Kansas Board of Regents - Kansas State University - Salina, College of Technology Housing System Project	540,000
2001G-2	Kansas Board of Regents - Kansas State University Recreation Complex Expansion Project	3,910,000
2001G-3	Kansas Board of Regents - Emporia State University - Residence Hall Project	335,000
2001G-4	Kansas Board of Regents - University of Kansas Lawrence Campus Parking Facilities Project	700,000
2001T-1	Kansas Board of Regents - University of Kansas Bioscience Research Center Project	4,840,000
2001T-2	Kansas Board of Regents - University of Kansas Student Union Renovation Project	2,520,000
2002A-1	Kansas Board of Regents - University of Kansas Housing System Renovation Project- Ellsworth Hall	10,270,000
2002A-2	Kansas Board of Regents - University of Kansas Student Recreation and Fitness Center Project	11,175,000
2002K	Kansas Board of Regents - University of Kansas Edwards Campus Project	5,120,000
2002P	Kansas Board of Regents - Wichita State University Housing System Renovation Project	10,265,000
2003A	Kansas Board of Regents - Pittsburg State University Overman Student Center Renovation Project	2,255,000
2003C	Kansas Board of Regents - Scientific Research & Development Facilities Project - \$72,670,000	-
2003C	Kansas Board of Regents - Scientific Research & Development Facilities Project - KSU Food Safety	8,839,954
2003C	Kansas Board of Regents - Scientific Research & Development Facilities Project - KUMC Biomedical Research	13,447,616
2003C	Kansas Board of Regents - Scientific Research & Development Facilities Project - KU Biosciences Research	2,145,000
2003D-1	Kansas Board of Regents - Fort Hays State University Housing System Refunding & Renovation Project (refunds 1994E)	4,750,000
2003D-2	Kansas Board of Regents - Fort Hays State University Housing System Lewis Field Stadium Renovation Project (refunds 1993C)	915,000
2003J	State of Kansas Projects - \$40,235,000	
2003J-1	Kansas Board of Regents - Energy Conservation Projects - KUMC	11,850,000
2003J-1	Kansas Board of Regents - Energy Conservation Projects - KSU	18,800,000
2004D	Kansas Board of Regents Pittsburg State University Housing System Renovation Project - Bonita Terrace Apartments	1,195,000
2005A	Kansas State University Housing System, Manhattan Campus - Jardine	43,695,000
2005D	Kansas Board of Regents - Scientific Research & Development Facilities Project - Phase II - \$66,530,000	
2005D	Kansas Board of Regents - Scientific Research & Development Facilities Project - KSU	18,680,000
2005D	Kansas Board of Regents - Scientific Research & Development Facilities Project - KUMC	23,195,000
2005D	Kansas Board of Regents - Scientific Research & Development Facilities Project - Aviation Research Facility	-
2005D	Kansas Board of Regents - Scientific Research & Development Facilities Project - WSU	5,788,000
2005D	Kansas Board of Regents - Scientific Research & Development Facilities Project - PSU	3,000,000
2005E-1	Kansas Board of Regents - University of Kansas Housing System Refunding	15,750,000
2005E-2	Kansas Board of Regents - University of Kansas Medical Center - Parking Garage #3	3,210,000
2005F	Kansas Board of Regents - Emporia State University Towers Residential Complex Imprvmt. Proj.	8,930,000
2005G-1	Kansas Board of Regents - Fort Hays State University Memorial Union Renov.-(Tax-Exempt)	7,205,000
2005G-2	Kansas Board of Regents - Fort Hays State University Memorial Union Renov.-(Taxable)	585,000
2006B	Kansas Board of Regents - KU Parking Facilities Proj.	9,790,000
2007A	Kansas Board of Regents - Kansas State University Housing System, Manhattan Campus Project, Jardine Apartments	27,750,000
2007E	Kansas Board of Regents - University of Kansas Student Recreation Center	6,275,000
	<b>total</b>	<b>326,183,620</b>

Note: Series 2003C and 2005D are hybrid credits in that debt service for the bonds is secured partially by appropriations from the SGF and partially by university research revenue. The pro rata portion of the debt that is the responsibility of the universities' research revenues is presented on this table. The pro rata portion of the debt that is the responsibility of the SGF is presented on the Tax-Supported Debt - State General Fund Table.

<b>Self-Supporting Debt</b>		
Source of Repayment: Loan agreements with city and county governments in the State. None of this debt is secured by a general obligation pledge or an annual appropriation by the Legislature of State revenues.		
<b>Series</b>	<b>Title</b>	<b>Balance 6/30/07</b>
1997 Series 1	Kansas Department of Health and Environment - Public Water Supply Revolving Loan Fund State Match Bonds	820,000
1997 Series 2	Kansas Department of Health and Environment - Public Water Supply Revolving Loan Fund Leveraged Bonds	12,005,000
1998 Series 1	Kansas Department of Health and Environment - Public Water Supply Revolving Loan Fund State Match Bonds	1,135,000
1998 Series 2	Kansas Department of Health and Environment - Public Water Supply Revolving Loan Fund Leveraged Bonds	13,590,000
1998 Series II	Kansas Department of Health and Environment - Water Pollution Control Revolving Loan Fund Leveraged Bonds	35,515,000
2000 Series I	Kansas Department of Health and Environment - Water Pollution Control Revolving Loan Fund State Match Bonds	1,945,000
2000 Series II	Kansas Department of Health and Environment - Water Pollution Control Revolving Loan Fund Leveraged Bonds	13,265,000
2000 Series 1	Kansas Department of Health and Environment - Public Water Supply Revolving Loan Fund State Match Bonds	1,115,000
2000 Series 2	Kansas Department of Health and Environment - Public Water Supply Revolving Loan Fund Leveraged Bonds	20,145,000
2001 Series I	Kansas Department of Health and Environment - Water Pollution Control Revolving Loan Fund State Match Bonds	10,455,000
2001 Series II	Kansas Department of Health and Environment - Water Pollution Control Revolving Loan Fund Leveraged Bonds	115,370,000
2002 Series 1	Kansas Department of Health and Environment - Public Water Supply Revolving Loan Fund State Match Bonds	3,680,000
2002 Series 2	Kansas Department of Health and Environment - Public Water Supply Revolving Loan Fund Leveraged Bonds	22,800,000
2002 Series II	Kansas Department of Health and Environment - Water Pollution Control Revenue Bonds	63,095,000
2004 Series I	Kansas Department of Health and Environment - Water Pollution Control Revolving Loan Fund State Match Bonds	2,000,000
2004 Series II	Kansas Department of Health and Environment - Water Pollution Control Revolving Loan Fund Leveraged Bonds	42,950,000
2004 Series II	Kansas Department of Health and Environment - Water Pollution Control Revolving Loan Fund Refunding	2,190,000
2004 Series 2	KDHE Drinking Water - Leveraged	93,255,000
2004 Series 2	KDHE Drinking Water - Leveraged Refunding	72,765,000
2004 Series 1	KDHE Drinking Water - State Match Refunding	6,440,000
2005 CW-I	KDHE Clean Water - State Match I (New & Refunding)	4,565,000
2005 CW-II	KDHE Clean Water - Leveraged II (New & Refunding)	109,250,000
2005 TR	Kansas Dept. of Transportation Revolving Loan Fund	32,490,000
2006 TR	Kansas Dept. of Transportation Revolving Loan Fund	24,755,000
	<b>total</b>	<b>705,595,000</b>

<b>Tax-Supported Debt</b>		
<b>Other</b>		
Source of Repayment: Specific revenue fund OTHER THAN the State General Fund (SGF).		
<b>Series</b>	<b>Title</b>	<b>Balance 6/30/07</b>
1998L	Memorial Hall	3,990,000
1999N	DOA 7th & Harrison (partially refunded by 2002J)	1,005,000
1997G-1	Kansas Board of Regents - Comprehensive Rehabilitation and Repair Project	1,011,100
1997G-2	Kansas Board of Regents - Comprehensive Rehabilitation and Repair Project	7,000,000
1998V	Kansas Department of Commerce and Housing - IMPACT Program Project	1,505,000
1999E	Kansas Department of Commerce and Housing - IMPACT Program Project	7,965,000
2001D	JJA Larned and Topeka Juvenile Correctional Facilities	39,025,000
2001F	Kansas Board of Regents - Comprehensive Rehabilitation and Repair Project	15,790,000
2001J	JJA Juvenile Correctional Facilities (Refunds 1992H)	2,750,000
2001M	Kansas Department of Commerce and Housing - IMPACT Program Project	15,405,000
2001S	Series 2001S - State of Kansas Projects:	
2001R	Highway Patrol Training Facility (Refunding of 1992T)	470,000
2001W	Series 2001W State of Kansas Projects: ( 49,865,000.00)	
2001W-1	HR Acquisition & Renovation	1,445,000
2001W-2	KDHE Vital Statistics	1,410,000
2002H	DHR Acquisition & Renovation Project - 1430 Building (legally changed to DOL)	3,030,000
2002J	DOA 7th & Harrison State Office Project (Partially refunds 1999N)	31,260,000
2002N-1	SRS Larned State Hospital	42,430,000
2002N-2	KHP Fleet Operations Project	3,115,000
2004A	State of Kansas Projects - \$50,730,000	
2004A-1	Dept of Social and Rehabilitation Services - Renovation & Repairs	29,995,000
2004A-3	Kansas Highway Patrol - Facility Acquisition Project	355,000
2004F	Kansas Board of Regents-Comprehensive Rehab & Renov - \$44,860,000	
2004F	Comp Rehab & Renov - Crumbling Classrooms	735,000
2004F	Comp Rehab & Renov - 1997G-1 Refunding	14,770,000
2004F	Comp Rehab & Renov - 1997G-2 Refunding	27,125,000
2005H	State of Kansas Projects - \$88,175,000	
2005H-2	Dept. of Human Resources (DOL) - Unemployment Benefit System	19,210,000
2005N	Kansas Dept. of Commerce-IMPACT Program Proj.	22,840,000
2007F	Kansas Department of Commerce - IMPACT Program Project	34,505,000
	<b>total</b>	<b>328,141,100</b>

<b>Tax-Supported Debt</b>				
<b>State General Fund</b>				
Source of Repayment: State General Fund (SGF)				
<u>Series</u>	<u>Title</u>	<u>Balance 6/30/07</u>	<u>Final Maturity Fiscal Year</u>	<u>Tax Status</u>
1993L	Energy	495,000	2009	Exempt
1996A	Energy	155,000	2008	Exempt
1996J	Energy	500,000	2010	Exempt
1999A-1	DOC El Dorado and Larned	10,840,000	2012	Exempt
1999A-2	DOC Ellsworth and Labelle	2,020,000	2010	Exempt
1999H	DOC El Dorado Reception	3,780,000	2020	Exempt
2000V	DOA State Capitol Restoration Project, Phase I-A	4,100,000	2011	Exempt
2001L	DOA (PBC Digital Conversion) Redeems 2001C	4,710,000	2021	Exempt
2001O	DOA State Building Renovation Projects	7,600,000	2021	Exempt
2001P	Refund Energy - Series G, 1992	245,000	2009	Exempt
2001W	Series 2001W State of Kansas Projects: ( 49,865,000.00)			
2001W-3	Kansas Fairgrounds Renovation	14,945,000	2022	Exempt
2001W-4	DOA Judicial Center Improvements	795,000	2017	Exempt
2001W-5	DOA State Capitol Restoration	22,275,000	2022	Exempt
2002C	DOA State Capitol Parking	13,415,000	2022	Exempt
2003C	Kansas Board of Regents - Scientific Research & Development Facilities Project - \$72,670,000			
2003C	Kansas Board of Regents - Scientific Research & Development Facilities Project - KSU Food Safety	13,645,046	2033	Exempt
2003C	Kansas Board of Regents - Scientific Research & Development Facilities Project - KUMC Biomedical Research	22,652,384	2024	Exempt
2003C	Kansas Board of Regents - Scientific Research & Development Facilities Project - KU Biosciences Research	-	2011	Exempt
2003C	Kansas Board of Regents - Scientific Research & Development Facilities Project - Aviation Research Facility	3,660,000	2010	Exempt
2003C	Kansas Board of Regents - Scientific Research & Development Facilities Project - WSU Engineering Complex	2,305,000	2024	Exempt
2003H	Kansas Public Employees Retirement System - KPERS 13th Check Group	19,030,000	2014	Taxable
2003H	Kansas Public Employees Retirement System - TIAA Group - Board of Regents and KU Hospital Authority	10,710,000	2014	Taxable
2004A	State of Kansas Projects - \$50,730,000			
2004A-2	Kansas State Fairgrounds - Renovation Project	9,855,000	2024	Exempt
2004C	Kansas Public Employees Retirement System	500,000,000	2034	Taxable
2004G-1	DOA Capitol Restoration Project - Phase II	17,385,000	2024	Exempt
2004G-2	Dept of Admin Refunding Revenue Bond Project (KBI)	850,000	2010	Exempt
2005D	Kansas Board of Regents - Scientific Research & Development Facilities Project - Phase II - \$66,530,000			
2005D	Kansas Board of Regents - Scientific Research & Development Facilities Project - Aviation Research Facility	6,185,000	2014	Taxable
2005D	Kansas Board of Regents - Scientific Research & Development Facilities Project - WSU	1,862,000	2024	Taxable
2005H	State of Kansas Projects - \$88,175,000			
2005H-1	Dept. of Admin. - Capitol Restoration Phase III	27,250,000	2032	Exempt
2005H-1	Dept. of Admin. - Refunding Capitol Restoration (2000V)	7,210,000	2021	Exempt
2005H-3	Adjutant General - Refunding Armories Reonv.-BAN	5,850,000	2026	Exempt
2005H-3	Adjutant General - Refunding Armories Reonv. Phase II (2000T)	1,400,000	2016	Exempt
2005H-3	Adjutant General - Refunding Armories Reonv. Phase II (2001W-6)	1,465,000	2017	Exempt
2005H-3	Adjutant General - Refunding Armories Reonv. Phase III (2003J-2)	5,325,000	2019	Exempt
2005H-3	Adjutant General - Refunding Armories Reonv. Phase IV (2004A-4)	5,280,000	2019	Exempt
2005H-4	Dept. of Admin. - Public Broadcasting Council	1,655,000	2026	Exempt
2005H-5	Dept. of Corrections - Refunding El-Dorado Facility (1999H)	10,235,000	2020	Exempt
2006A	Kansas Dept. of Administration - Comprehensive Transportation Program (Reimbursement)	209,490,000	2027	Exempt
2006L	State of Kansas Projects - \$13,210,000			
2006L-1	Dept. of Admin - Capitol Restoration Phase IV	7,475,000	2021	Exempt
2006L-2	Kansas Board of Regents - Pittsburg State University Joint Armory Proj	4,215,000	2026	Exempt
2006L-3	Adjutant General - Pittsburg State Army Project	1,520,000	2026	Exempt
	<b>total</b>	<b>982,384,429</b>		

Note: Series 2003C and 2005D are hybrid credits in that debt service for the bonds is secured partially by appropriations from the SGF and partially by university research revenue. The pro rata portion of the debt that is the responsibility of the SGF is presented on this table. The pro rata portion of the debt that is the responsibility of the universities' research revenue is presented on the User-Fee Supported Table.

<b>Tax-Supported Debt</b>			
<b>Highway Fund (KDOT)</b>			
Source of Repayment: motor fuel taxes, vehicle registration fees, sales taxes and federal aid reimbursements.			
<u>Series</u>	<u>Title</u>	<u>Balance 6/30/07</u>	<u>Final Maturity Fiscal Year</u>
1993 A	State of Kansas - Department of Transportation - Highway Revenue Refunding Bonds	7,160,000	2008
1998	State of Kansas - Department of Transportation - Highway Revenue Refunding Bonds	75,005,000	2015
2000 B & C	State of Kansas - Department of Transportation - Adjustable Tender Highway Revenue Bonds	200,000,000	2021
2002 A	State of Kansas - Department of Transportation - Adjustable Tender Highway Revenue Bonds	103,470,000	2012
2002 B & C	State of Kansas - Department of Transportation - Highway Revenue Bonds	320,005,000	2020
2002 D	State of Kansas - Department of Transportation - Adjustable Tender Highway Revenue Bonds	88,110,000	2012
2003 A & B	State of Kansas - Department of Transportation - Highway Revenue Refunding Bonds	248,190,000	2014
2003 C	State of Kansas - Department of Transportation - Highway Revenue Refunding Bonds (Auction Rate Securities)	150,275,000	2016
2004 A	State of Kansas - Department of Transportation - Highway Revenue Bonds	250,000,000	2023
2004 B	State of Kansas - Department of Transportation - Adjustable Tender Highway Revenue Bonds	200,000,000	2025
2004 C	State of Kansas - Department of Transportation - Adjustable Tender Highway Revenue Bonds	147,000,000	2025
	<b>total</b>	<b>1,789,215,000</b>	

**Senate Ways and Means Committee**  
**Testimony regarding KU Pharmacy School Expansion**  
**Presented by Brian Caswell**  
**February 26, 2008**

Mister Chairman, members of the committee:

My name is Brian Caswell, I am President of the KU School of Pharmacy Advisory Council, Past President of the Kansas Pharmacists Association, and President of Wolkar Drug in Baxter Springs, KS. I am much honored to come before you today to address a critical issue that is currently affecting our health care delivery system here in Kansas, a shortage of pharmacists.

Pharmacy is one of the most trusted and most frequently visited health care providers in America. Today Kansans are facing a challenge to that relationship that they have so dearly relied upon for most of their lives. That challenge is access to a licensed pharmacist, in particular to rural Kansas counties, where the number of pharmacists is shrinking at an alarming rate. The majority of pharmacies in Kansas are independently owned by one pharmacist. If you would please refer to the attached map you will immediately notice the color shading that point to counties which are experiencing a critical shortage of pharmacies servicing their respective counties. The red shaded counties are those that currently do not have a pharmacy located within the county. The blue shaded areas are counties that currently only have one pharmacy. The numbers that you see indicated the number of KU Pharmacy School graduates residing in that particular county.

The age of our population is growing. The simple fact is that as we age we tend to use more medications. The U.S. population overall is aging at a rate never before seen, thanks in part to the group known as the "Baby Boomers" along with better health care that is allowing our seniors to live longer and healthier lives. The "Baby Boomers" are now reaching that age where they will qualify for Medicare benefits and in particular qualify for Medicare Part D. Statistics have shown, and it is my experience as well, that those who sign up with Medicare Part D will utilize more medications after they sign up versus what they used prior to joining the program. Many of you might recall the tremendous challenges that health care and government faced in the initial phase of the Part D implementation. In fact, President Bush, the Secretary of Health and Human Services Michael Leavitt, Governor Sebelius and countless other government leaders applauded the pharmacy community for its efforts in continuing to provide pharmaceutical therapy in spite of the tremendous early shortfalls of the plan.

As I mentioned earlier our population is growing older and so are many of our pharmacists within the state. The average age of independent pharmacy owners in the state of Kansas is 54. Many of these pharmacists are beginning to make retirement plans along with creating a legacy plan for their business in order to continue to serve the health care needs of their communities for which they have dedicated their lives in serving. The problem that many of them face is a small pool of potential owners. With a

Senate Ways and Means  
2-26-08  
Attachment 4



limited number of pharmacy graduates and only one pharmacy school in the state, the numbers are small at best. Couple this challenge with the hurdles that pharmacy is currently battling, e.g. lower and slower reimbursements, and it doesn't take long to see that the search could take years if at all to find an interested candidate. What we are now experiencing is that some of these owners are being forced to make a decision about their practice due to health reasons, economic reasons, or even natural disasters prior to selling to an interested party because of lack of interest or a qualified applicant. They are simply closing their doors and locking up the only pharmacy access to an entire county or community. This has created enough of a critical situation that some city, county, and even federal legislators have become involved with recruitment of pharmacists to their communities.

As our national and local leaders search for pharmacists to fill in these unfortunate gaps in our health care arena, the demand for prescriptions continues to grow at a tremendous rate. This creates problems with an already stressed system that is understaffed and overworked at its current levels. Recent media coverage has noted that prescription errors tend to rise in such circumstances. With the limited number of graduating pharmacists and increasing demand for prescriptions one could assume that the safety factor in our pharmacies could be at risk. This staffing problem is not a localized issue in pharmacy. It is a critical issue within the hospital community along with the chain and independent community pharmacies, both urban and rural. The only solution to the increased demand is an increase in the supply of pharmacists.

The pharmacist-patient relationship is in my opinion the most vital component within our professional practice. Filling a prescription is more than placing pills in a bottle. It is checking for drug interactions with your other medications and against all of your disease states, whether or not it is the proper dose for the correct indication, the proper method of using it along with proper storage and handling. It is extremely important to properly deliver the medication to a patient, but it is sometimes just as important to educate a patient about their medications along with their disease state in order to empower them to be good stewards of their health and well being. To me, it is vital to be able to look my patient in the eye and assure them that there are better days ahead. Sometimes we give our patients printed materials, sometimes we just hand them their monthly medications with a smile, sometimes it is words of encouragement and assurance, and sometimes it's just a hug. There are no replacements for hugs and there is not a replacement for the relationship that one has with their pharmacist.

As with all challenges there are opportunities. Together I know that we can address this shortage while providing greater access and better health care to our patients and all citizens of the great state of Kansas. Thank you for allowing me to address the committee today on behalf of this very important issue.

Brian Caswell R.Ph.  
President - Wolkar Drug  
Baxter Springs, KS 66713 (620) 856-5555



Legislative Testimony:  
KU School of Pharmacy Expansion;  
Feb 26, 2008

Good Morning- I am Amber Woehl, a Pharmacist from Minneapolis Kansas. Upon graduating from the KU School of Pharmacy in 2004, my husband Joe and I purchased City Pharmacy: the only pharmacy serving Ottawa County. I was delighted to be given the opportunity to speak with you about topics I find important for both the health and economic well being of my state-the pharmacist shortage and a vital step to help curb that shortage-expansion of the KU School of Pharmacy.

As the only pharmacy in our county of 6,000, we are kept busy meeting the increasing medication needs of our community; a need that is growing larger every day as our population ages and as more life saving medications become available. We offer small town personal service, durable medical equipment, blood glucose monitor training, and in home delivery that many of our aging patients depend on. Joe and I are personally available to patients in a way no other health care providers are-anyone can walk in or call the store and talk to one of us with usually no wait time.

In addition to my duties at our pharmacy; I provide pharmacy services for the county hospital, health department, home health agency and the county's long term care centers.

Our pharmacy employs nine other people besides me and my husband. We offer services not found elsewhere in our community; such as dry cleaning and film developing. We support community events ranging from the high school forensics team to the chamber of commerce and the county's Walk for Life.

In sum, if our pharmacy was forced to close its doors, the void left in the community would be substantial. Lack of a pharmacy would drastically impact economic development and access to quality health care in the county.

Senate Ways and Means  
2-26-08  
Attachment 5

if the shortage of pharmacists, and specifically pharmacist-owners, is not addressed soon this fate could befall many of our fellow Kansans.

As Joe and I attend various pharmacy meetings across Kansas, we note that we are the youngest pharmacist-owners in the room, and our young age places us in the vast minority. Most of our owner colleagues are at least in their 50's- and will soon be ready to find suitable buyers for their pharmacies. Their concern, and mine, is that they will be unable to find pharmacists to continue providing the health care services their communities depend upon. Who will make up for the lost jobs, community support, and access to health care providers a home town pharmacy offers? How will their patients with limited transportation options and/or severe medical problems cope with the hardship of greater distance between themselves and their pharmacist?

Expansion of the KU School of Pharmacy is an investment in Kansas's health and economic viability. A new building on the Lawrence campus and the development of a campus in Wichita would increase enrollment and allow the state to produce more of the pharmacists it desperately needs. I urge you to support the expansion of the University of Kansas School of Pharmacy as it will benefit all Kansans and their access to quality health care. The time to act is now, as the population continues to age, valuable pharmacists are lost to retirement and the number of those needing pharmaceutical care increases.

As a pharmacist-owner I have the privilege of serving my patients in a unique way: I am their health care provider, their neighbor, and their partner in creating an exceptional community. As a Kansan I support the effort to educate more pharmacists so every citizen of our state has access to the best health care in an economically sound community.

Amber Woehl, Pharm.D.  
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TO: Members of the Kansas Legislature  
FROM: Ken Audus, Dean, KU School of Pharmacy  
DATE: February 26, 2008

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Thank you for giving us the opportunity to address you today, as your work in addressing the many pressing issues in our state continues. We are grateful for your service to Kansas and for your interest in the problems facing pharmacy in our state.

You have heard about the problems **and** the opportunities that exist in Kansas from representatives of our community pharmacies. These community pharmacies play a vital role in maintaining the core infrastructure of towns all across the state. They aren't just filling prescriptions for local residents -- they are meeting critical health care delivery needs for many Kansans. In some of our communities, the local pharmacist is the only local health professional. They dispense far more than simply medications. And in many communities, their service extends far beyond the walls of their pharmacy. They are also the professional who serves the local hospital and area nursing homes.

We face a severe shortage in our state and we must take action. Working in partnership with the Kansas Pharmacists Association, and with the endorsement of the Kansas Board of Regents we have developed a plan to nearly double the number of pharmacists trained in our state. We are asking for legislative endorsement of this plan by adopting the provisions contained in the Governor's budget recommendations for \$1 million in funding for FY 09 and for bonding authority of \$50 million to finance this expansion. Currently, KU's School of Pharmacy is at its enrollment limit of 105 students per year. Our applicant pool, on the other hand, is currently greater than 400 individuals on average. These talented, qualified students are seeking entrance into the Pharmacy School in our state, but we cannot accept them. Thus, if they're committed to a degree in pharmacy, they will be forced to leave our state. And there are opportunities for these students in other states. Attached to my remarks is a chart indicating the enrollment adjustments that have occurred or are in progress in surrounding states. We believe the best approach and the most cost-effective approach is to build a modern facility of the west campus at KU for the Doctor of Pharmacy

program. Our proposal calls for one-time bricks & mortar costs of \$46.58 million. All new operating expenses would be covered by existing course fees and the on-going maintenance for this facility is included in this operations budget. A second, later phase of the facility calls for expansion of the pharmacy research program. The university has said the cost of this second phase, estimated to be approximately \$120 million would not be funded from State General Fund. The University would be responsible for securing funding for this phase from a variety of other resources.

Another important element of the expansion plan involves adding a new floor to the existing KU School of Medicine in Wichita. This Wichita-based, satellite facility is especially important in the efforts to retain students in Kansas upon graduation, with an emphasis on service in rural communities. The KU School of Pharmacy has an outstanding track record in this regard, with an average of 63% of our graduates working in the state upon graduation. The construction costs for the Wichita facility are \$4.1 million with less than \$1 million a year in operating expenses.

Pharmacy is an important profession. We know if we are to maintain a health care delivery system, we must have an adequate number of licensed pharmacists. Our pledge to you is to continue to be good stewards at the KU School of Pharmacy, working to continue our high national rankings **and** produce more pharmacists for our state. Thank You.



**Table 1: Total Amount Awarded  
FY 2007 NIH Grants and Contracts**

Rank	Institution	Amount
1	University of Utah	\$23,583,771
	University of California-San Francisco	
2		\$19,596,952
3	University of Illinois at Chicago	\$13,470,722
4	University of Kansas	\$11,041,971
5	University of Washington	\$9,291,752
	University of North Carolina-Chapel Hill	
6		\$9,109,525
7	University of Arizona	\$8,467,250
8	University of Colorado	\$7,890,046
9	University of Pittsburgh	\$7,383,285
10	University of Southern California	\$7,263,692
11	University of Montana	\$7,261,133
12	Purdue University	\$7,042,858
13	University of Wisconsin-Madison	\$6,911,663
14	University of Mississippi	\$5,998,192
15	Rutgers University	\$5,846,770
16	University of Kentucky	\$5,684,703
17	University of Maryland	\$5,598,218
18	Ohio State University	\$5,558,315
19	South Carolina College of Pharmacy	\$5,461,320
20	University of Florida	\$4,959,305
21	Northeastern University	\$4,666,304
22	University of Minnesota	\$4,585,773
23	University at Buffalo-SUNY	\$3,990,815
24	University of Michigan	\$3,762,787
25	University of California-San Diego	\$3,761,286

**Table 3: Percent of PhD Faculty  
with NIH Funding**

Rank	Institution	FTE PhDs	# Funded	% Funded
1	University of Kansas	36	22	61.11
2	University of California-San Diego	12	7	58.33
	University of California-San Francisco			
3		45	23	51.11
4	University of Arizona	28	14	50.00
5	University at Buffalo-SUNY	18	8	44.44
6	Rutgers University	41	18	43.90
7	University of Nebraska	19	8	42.11
8	University of Colorado	29	12	41.38
9	University of Southern California	33	13	39.39
10	University of Illinois at Chicago	49	19	38.78
11	University of New Mexico	21	8	38.10
12	University of Montana	27	10	37.04
13	University of Kentucky	38	14	36.84
14	Texas Tech University	22	8	36.36
15	University of Wisconsin-Madison	34	12	35.29
16	Northeastern University	20	7	35.00
17	Purdue University	46	16	34.78
18	University of Michigan	23	8	34.78
19	University of Utah	67	23	34.33
	University of North Carolina-Chapel Hill			
20		44	15	34.09
21	University of Pittsburgh	40	13	32.50
22	South Carolina College of Pharmacy	34	11	32.35
23	University of Maryland	44	14	31.82
24	Wayne State University	16	5	31.25
25	Ohio State University	39	12	30.77

### Pharmacy Student Enrollments in Surrounding States

<u>State</u>	<u>Population*</u>	<u>Schools</u>	<u>Total Enrollments</u>	<u>Expansion plans</u>
Iowa	2,966,334	Iowa Drake	430 497	
Missouri	5,800,310	UMKC StL	495 1,123	Started a satellite in Columbia 2006; project 2nd satellite in Springfield Proposing a satellite in Springfield
Nebraska	1,758,787	Nebraska Creighton	261 651	
Oklahoma	3,547,884	Oklahoma SW Ok St	519 321	Includes a satellite started in Tulsa in 2004
Colorado	4,665,177	Colorado	513	Proposing a satellite campus, location undecided at this time. (With Fall, 2007 class size up to 146/year; new facility planned.)
Arkansas	2,779,154	Arkansas Harding Univ	394 240	Admits 120/class effective Fall 2007 (480 total enrollment in 3 years) 60 students in first class starting 2008; 240 at full capacity
<b>Kansas</b>	<b>2,744,687</b>	<b>Kansas</b>	<b>414</b>	

\* 2005 Census

Most recent enrollment data available from the American Association of Colleges of Pharmacy for Fall, 2006