

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairman Kevin Yoder at 9:15 a.m. on March 19, 2009, in Room 143-N of the Capitol.

All members were present.

Committee staff present:

Nobuko Folmsbee, Office of the Revisor of Statutes
Christina Butler, Kansas Legislative Research Department
Audrey Dunkel, Kansas Legislative Research Department
J.G. Scott, Kansas Legislative Research Department
Kelly Cure, Chief of Staff
Kathy Holscher, Committee Assistant

Conferees appearing before the Committee:

Derrick Sontag, Americans for Prosperity - Proponent

Others attending:

See attached list.

- Attachment 1 Moody's Public Finance Summary
- Attachment 2 Americans for Prosperity Testimony

HB 2355 - Limitation on outstanding principal of state general fund bonded debt.

Julian Efird, Kansas Legislative Research Department, stated that **HB 2355** would place a cap on the outstanding debt on state bonds that are pledged to be paid from SGF. This is a cap of 20 percent of the estimated SGF revenue for the same physical year that the bonded indebtedness on principal was calculated. The bill requires that the calculation is based on the estimated SGF debt for the next physical year by the total estimated revenue on or before December of the same year. The Governor's recommendation for FY 2010 estimated the bond state balance as of June 30, 2010 would be \$1 billion, and the estimated revenue for the same physical year is \$6.15 billion. The ratio for the next physical year is estimated at 16.3 percent. Committee members reviewed the report on state bonded indebtedness from Moody's Public Finance Summary as of April, 2008, (Attachment 1)

Reagan Cussimano, Legislative Research Department, responded to questions from Committee members. She stated that the Governor's recommendation includes \$80 million from SGF for capital improvement aid for FY 2010.

Julian Efird, noted that this amount was included in the debt ratio. The total debt is over \$4 billion. \$1 billion is pledged to SGF, which includes some highway funds in the revised budget. Bond revenues are pledged by KDOT and paid by designated revenue streams. Major recipients of outstanding bonds pledged by SGF include: the Board of Regents; Department of Administration's Capitol restoration project; Department of Corrections for facility issues; KPERS pension; and Armory programs within the Adjutant General's Office. Outstanding bonds that have been approved but not let include: Board of Regents community college loans; Capitol building renovations; KSU proposed facility; and Department of Corrections expanded prison capacity.

Audrey Dunkel, Kansas Legislative Research Department, responded to questions from Committee members. She stated that bonding authority allows access for deferred maintenance for community colleges and secondary colleges. Colleges pay the principle and the state pays the interest on these bonds. A bill was drafted to appropriate money for those payments.

Julian Efird, responded to questions from Committee members. He stated that bond ratings from designated streams that go into the highway funds include motor fuel tax and other assessments. Authority to issue general fund bonds may be necessary when other revenue resources, such as ELARF, are not available. The Governor's recommendation shifted \$53 million in bond principle payment from the SGF to a non-general fund source.

CONTINUATION SHEET

Minutes of the House Appropriations Committee at 9:15 a.m. on March 19, 2009, in Room 143-N of the Capitol.

Chairman Yoder stated that **HB 2355** is the same legislation that passed in the House last year and is re-proposed for this session.

Derrick Sontag, State Director, Americans for Prosperity, presented testimony in support of **HB 2355**, (Attachment 2). He stated with the current bond indebtedness, the SGF would need to decline by \$5 billion in order to exceed the cap of 20 percent. The debt per capita and debt as a percent of personal income was compared to other states.

Derrick Sontag responded to questions from Committee members. He stated that the total bond indebtedness is \$4 billion, and 44 percent of this indebtedness is for targeted highway bonds. Debt affordability, target ratios and cost benefit analysis for projects should be evaluated in order to address critical needs in the long-term planning process and debt repayment plans. It was noted that the recent bond rating has stayed stable.

- Information requested
Data on the impact of tax cuts on the economy
Rural areas effected by tax policies

The hearing on **HB 2355** was closed.

HCR 5016 - Urging Kansas school districts to use carefully the federal stimulus funds received.

Nobuko Folmsbee, Office of the Revisor of Statutes, provided information on **HCR 5016**. This bill states that Kansas will receive \$875 million (on a one-time basis) in federal economic stimulus funds for educational purposes. Approximately \$600 million of the stimulus money will be expended for primary and secondary education. SGF receipts projected shortfall of 23 percent in FY 2012, could result in the reduction of appropriation of state money for school districts. School districts were encouraged to find ways to stretch every dollar and to not spend such funds to finance on-going projects, to be responsible stewards of the school funds, and to establish or increase balances in contingency reserve funds.

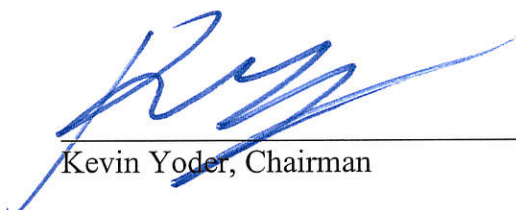
Representative DeGraaf provided testimony in support of **HCR 5016**. This bill encourages school boards to recognize potential shortfalls in funding for FY 2012, as they prepare to utilize federal stimulus money.

Representative DeGraaf responded to questions from Committee members regarding the use of federal stimulus money, as determined by local school boards in preparation for substantial shortfall projections in FY 2012.

Chairman Yoder discussed the upcoming Committee schedule and expressed appreciation to Legislative Research and the Office of the Revisors staff for their hard work throughout the session.

The next meeting is scheduled on call of the Chair.

The meeting was adjourned at 10:28 a.m.



Kevin Yoder, Chairman

APPROPRIATIONS COMMITTEE GUEST LIST

DATE: 3-19-09

NAME	REPRESENTING
Dodie Wellshar	USA / Kansas
Cheryl Semmel	USA / Kansas
Mark Tallman	KASB

Special Comment

April 2008

2008 State Debt Medians

Table of Contents:

Summary Opinion	1
Growth in Net Tax-Supported Debt Continued in 2007	2
Median Growth Reflects Significant Change in Debt Per Capita in Certain States	2
2008 State Debt Outlook: Debt Issuance Expected to Rise Reflecting Tighter Budgets and Infrastructure Needs	3
Moody's Related Research	7

Analyst Contacts:

New York 1.212.553.1653

Kimberly Lyons
Associate Analyst

Maria Coritsidis
Assistant Vice President

Ted Hampton
Assistant Vice President

Whitney Jones
Senior Associate

Nicole Johnson
Senior Vice President

Emily Raimes
Assistant Vice President

Nicholas Samuels
Assistant Vice President

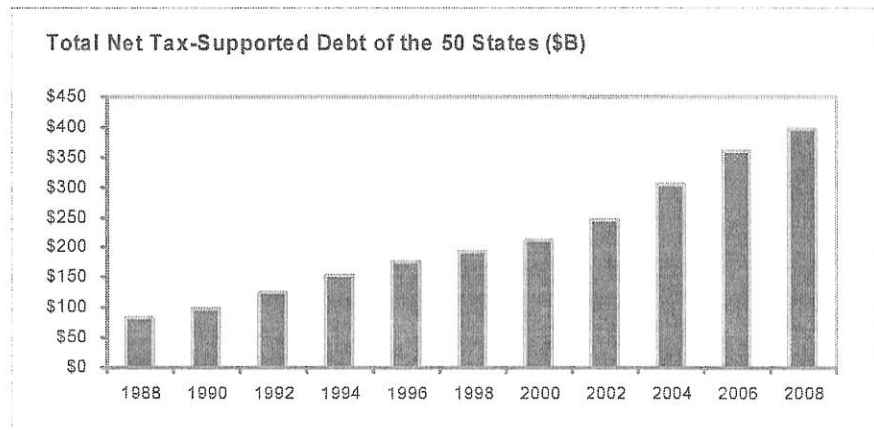
Mark Tenenhaus
Vice President

Robert Kurtter
Team Managing Director

Summary Opinion

State net tax-supported debt increased by 5.1% in 2007 to \$398 billion (see Figure 1). A favorable interest rate environment, ongoing needs for infrastructure, and increased issuance by some states contributed to the overall increase. Median net tax-supported debt per capita increased by 12.9% to \$889 from the 2007 median of \$787, in part due to ramped up capital programs in several states. This increase was the third highest percentage increase since 1990. During the next year, debt issuance should continue to increase as the weak economy squeezes state budgets, resulting in a shift toward debt financing of capital projects, away from PAYGO funding.

Figure 1



Every year, Moody's prepares a special comment that presents an analysis of state debt medians. This special comment examines the condition of net state tax-supported debt as of 2007. Two measures of state debt burden – debt per capita and debt as a percentage of personal income – are commonly used by municipal analysts in making comparisons. Debt burden is one of many factors that Moody's uses to determine state credit quality. In considering debt burden, Moody's also examines gross debt, which includes contingent debt liabilities that may not have direct tax support but are included in audited state financial reports.



Moody's Investors Service
Appropriations Committee

Attachment 1-1

Date 3-19-09

2008 State Debt Medians

Growth in Net Tax-Supported Debt Continued in 2007

State tax-supported debt increased by 5.1% in 2007, the same rate of increase recorded in the previous year, to \$398 billion. This \$20 billion increase in outstanding net tax-supported debt is the third largest year-to-year increase in the past 20 years, surpassed only by the \$44 billion and \$35 billion annual increases recorded in 2003 and 2004. The current amount of state net tax-supported debt outstanding is also nearly twice as high as the outstanding amount at the beginning of the decade. The increased debt issued by the states during that period reflected a combination of factors, including low interest rates, increased use of debt to jump-start infrastructure development during a recessionary period and, in some cases, the need to cover revenue shortfalls.

States continued to address transportation and education capital needs through bond issuance during the course of 2007. Notable state transactions included \$1.07 billion of capital improvement bonds issued by the Alabama Public School and College Authority, the largest sale in the state's history; New Jersey's \$800 million of school facilities construction bonds and \$1.18 billion of Transportation Trust Fund Authority revenue bonds; \$2 billion of bonds issued by the Texas Transportation Commission for highway construction, some backed by the state's general obligation pledge and some by the state highway fund; and approximately \$1.8 billion of new debt in Florida issued through various bonding programs to support of education.

Median Growth Reflects Significant Change in Debt Per Capita in Certain States

Median net tax-supported debt per capita increased by 12.9% to \$889 (see Figure 2), only the third double-digit percentage increase in this measure since 1990 and the third highest increase during the same period. In contrast, the increase in this measure in 2006 over the prior year was 4.4%. While total net tax-supported debt increased at the same rate as in 2006, significant changes in debt burden among certain states pushed debt per capita upwards and resulted in a skewed distribution relative to the median. For example, Alabama issued approximately \$1 billion of revenue bonds backed by certain taxes in the state's Education Trust Fund, which increased the net tax-supported debt for the state by roughly 50%. Additionally, Arkansas's net tax-supported debt increased by 29% after the state issued general obligation bonds partly for new higher education funding. Idaho and South Carolina experienced an increase of 125% and 53%, respectively, as a result of a change in classification of certain outstanding debts from gross tax-supported debt to net tax-supported debt for the first time.

Mean net tax-supported debt as a percent of personal income at 3.2% was unchanged from the prior year, compared to the 3.0% average for the 1995 to 2006 period (see Figure 3). Median net tax-supported debt as a percent of personal income in 2007 increased to 2.6%, up from 2.4% in the prior year.

2008 State Debt Medians

Figure 2

Median Net Tax-Supported Debt Per Capita

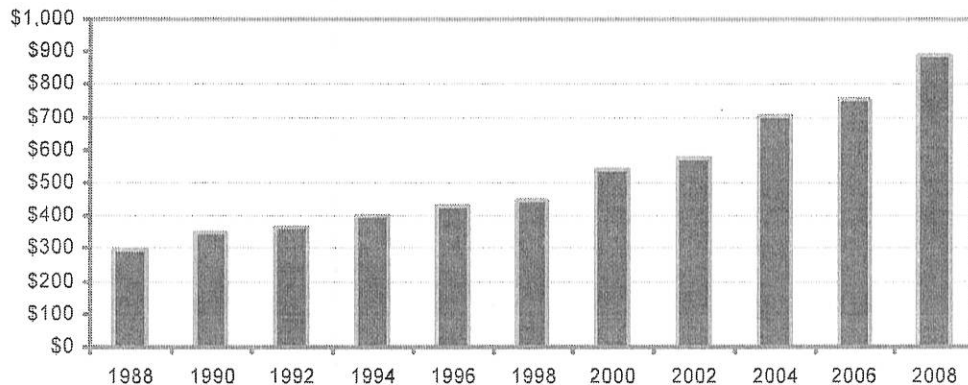
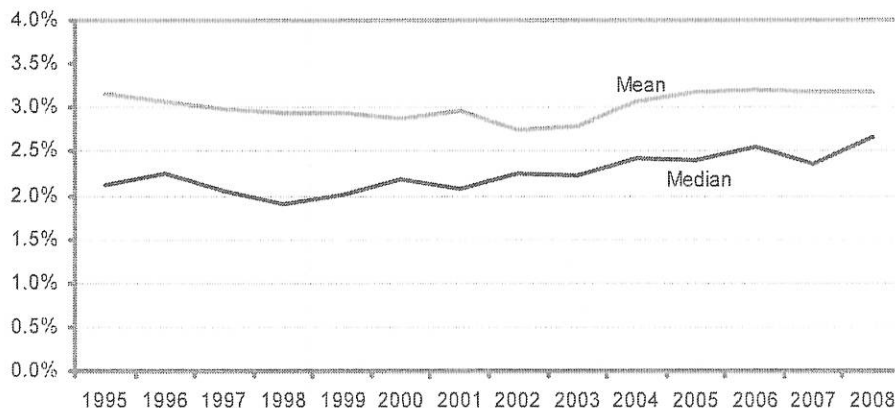


Figure 3

Net Tax-Supported Debt as Percent of Personal Income



2008 State Debt Outlook: Debt Issuance Expected to Rise Reflecting Tighter Budgets and Infrastructure Needs

State debt issuance in 2008 is expected to be robust, as needs increase but resources decline. As the national economy falters, the need for social services expenditures will increase at the same time that many states look to trim their budgets. One solution will likely be to issue long-term debt where previously PAYGO capital had been used. In many states, the economic slowdown and the low interest rate environment may provide the impetus to accelerate authorized debt sales forward into this calendar year to spur economic activity and bolster employment. However, debt issuance for new capital projects may prove to be lower as a result of either inflationary factors or technical market considerations, as refinancings of auction-rate and variable-rate bonds put pressure on fixed rate interest costs.

1-3

2008 State Debt Medians

**Table 1: Net Tax-Supported Debt
Per Capita**

		(\$)	Rating
1	Massachusetts	4,529	Aa2
2	Connecticut	3,698	Aa3
3	Hawaii	3,663	Aa2
4	New Jersey	3,478	Aa3
5	New York	2,762	Aa3
6	Delaware	2,002	Aaa
7	Illinois	1,985	Aa3
8	Washington	1,908	Aa1
9	Rhode Island	1,766	Aa3
10	California	1,685	A1
11	Oregon	1,636	Aa2
12	New Mexico	1,429	Aa1
13	Wisconsin	1,407	Aa3
14	Kentucky	1,381	Aa2*
15	Louisiana	1,345	A2
16	Maryland	1,297	Aaa
17	Mississippi	1,283	Aa3
18	Kansas	1,202	Aa1*
19	West Virginia	1,101	Aa3
20	Florida	1,005	Aa1
21	Ohio	966	Aa1
22	South Carolina	966	Aaa
23	Georgia	954	Aaa
24	Alaska	924	Aa2
25	North Carolina	898	Aaa
26	Minnesota	879	Aa1
27	Pennsylvania	870	Aa2
28	Alabama	869	Aa2
29	Virginia	764	Aaa
30	Nevada	759	Aa1
31	Michigan	748	Aa3
32	Vermont	707	Aaa
33	Missouri	675	Aaa
34	Arizona	630	Aa3*
35	Maine	618	Aa3
36	Utah	542	Aaa
37	New Hampshire	499	Aa2
38	Oklahoma	493	Aa3
39	Texas	481	Aa1
40	Indiana	478	Aa1*
41	Arkansas	477	Aa2
42	North Dakota	374	Aa2*
43	Montana	366	Aa2
44	Idaho	354	Aa2*
45	Colorado	315	NGO**
46	South Dakota	302	NGO**
47	Tennessee	221	Aa1
48	Iowa	98	Aa1*
49	Wyoming	91	NGO**
50	Nebraska	22	NGO**
	MEAN:	1,158	
	MEDIAN:	889	
	Puerto Rico	8,951***	Baa3

**Table 2: Net Tax-Supported Debt
as a % of 2006 Personal Income**

1	Hawaii	9.9%
2	Massachusetts	9.8%
3	New Jersey	7.5%
4	Connecticut	7.3%
5	New York	6.3%
6	Illinois	5.2%
7	Delaware	5.2%
8	Washington	5.1%
9	Oregon	5.0%
10	New Mexico	4.8%
11	Mississippi	4.8%
12	Kentucky	4.7%
13	Rhode Island	4.7%
14	Louisiana	4.3%
15	California	4.3%
16	Wisconsin	4.1%
17	West Virginia	3.9%
18	Kansas	3.5%
19	South Carolina	3.3%
20	Georgia	3.0%
21	Maryland	3.0%
22	Ohio	2.9%
23	North Carolina	2.8%
24	Florida	2.8%
25	Alabama	2.8%
26	Alaska	2.4%
27	Pennsylvania	2.4%
28	Minnesota	2.3%
29	Michigan	2.2%
30	Nevada	2.0%
31	Missouri	2.1%
32	Arizona	2.0%
33	Vermont	2.0%
34	Virginia	1.9%
35	Utah	1.9%
36	Maine	1.9%
37	Arkansas	1.7%
38	Oklahoma	1.5%
39	Indiana	1.5%
40	Texas	1.4%
41	New Hampshire	1.3%
42	Montana	1.2%
43	Idaho	1.2%
44	North Dakota	1.1%
45	South Dakota	0.9%
46	Colorado	0.8%
47	Tennessee	0.7%
48	Iowa	0.3%
49	Wyoming	0.2%
50	Nebraska	0.1%
	MEAN:	3.2%
	MEDIAN:	2.6%
	Puerto Rico**	63.8%

* Issuer Rating (No G.O. Debt)

** No General Obligation Debt

*** This figure is not included in any totals, averages, or median calculations but is provided for comparison purposes only.

** This figure is based on 2006 Personal Income. It is not included in any totals, averages, or median calculations but is provided for comparison purposes only.

1-4

2008 State Debt Medians

Table 3: Total Net Tax Supported Debt (000's)

			Rating
1	California	61,584,000	A1
2	New York	53,298,000	Aa3
3	New Jersey	30,211,000	Aa3
4	Massachusetts	29,212,951	Aa2
5	Illinois	25,517,925	Aa3
6	Florida	18,339,600	Aa1
7	Connecticut	12,950,720	Aa3
8	Washington	12,342,191	Aa1
9	Texas	11,497,107	Aa1
10	Ohio	11,075,372	Aa1
11	Pennsylvania	10,817,000	Aa2
12	Georgia	9,104,530	Aaa
13	North Carolina	8,139,665	Aaa
14	Wisconsin	7,882,749	Aa3
15	Michigan	7,531,009	Aa3
16	Maryland	7,287,100	Aaa
17	Oregon	6,131,939	Aa2
18	Virginia	5,890,012	Aaa
19	Kentucky	5,857,451	Aa2*
20	Louisiana	5,774,788	A2
21	Hawaii	4,700,512	Aa2
22	Minnesota	4,569,476	Aa1
23	South Carolina	4,256,412	Aaa
24	Alabama	4,019,716	Aa2
25	Arizona	3,994,433	Aa3*
26	Missouri	3,968,072	Aaa
27	Mississippi	3,743,991	Aa3
28	Kansas	3,336,816	Aa1*
29	Indiana	3,032,167	Aa1*
30	New Mexico	2,815,537	Aa1
31	West Virginia	1,994,968	Aa3
32	Nevada	1,947,755	Aa1
33	Rhode Island	1,868,462	Aa3
34	Oklahoma	1,782,066	Aa3
35	Delaware	1,731,023	Aaa
36	Colorado	1,533,377	NGO**
37	Utah	1,434,138	Aaa
38	Tennessee	1,360,248	Aa1
39	Arkansas	1,351,860	Aa2
40	Maine	813,670	Aa3
41	New Hampshire	656,422	Aa2
42	Alaska	631,605	Aa2
43	Idaho	531,206	Aa2*
44	Vermont	438,997	Aaa
45	Montana	351,052	Aa2
46	Iowa	292,758	Aa1*
47	South Dakota	240,072	NGO**
48	North Dakota	239,132	Aa2*
49	Wyoming	47,785	NGO**
50	Nebraska	39,564	NGO**
	Totals	398,168,401	
	Puerto Rico	31,411,000***	Baa3

Table 4: Gross Tax Supported Debt (000's)

			Gross to Net Ratio
1	California	68,918,000	1.12
2	New York	53,348,276	1.00
3	Massachusetts	35,574,265	1.22
4	New Jersey	35,349,000	1.17
5	Illinois	25,760,097	1.01
6	Michigan	22,577,509	3.00
7	Florida	22,467,700	1.23
8	Connecticut	20,578,099	1.59
9	Washington	19,232,391	1.56
10	Minnesota	15,427,696	3.38
11	Pennsylvania	14,828,000	1.37
12	Texas	14,810,450	1.29
13	Oregon	13,567,257	2.21
14	Wisconsin	11,228,739	1.42
15	Ohio	11,075,372	1.00
16	Virginia	10,103,019	1.72
17	Colorado	9,173,377	5.98
18	Georgia	9,104,530	1.00
19	Kentucky	8,172,677	1.40
20	North Carolina	8,139,665	1.00
21	Alabama	8,104,059	2.02
22	Maryland	7,287,100	1.00
23	Louisiana	6,756,800	1.17
24	Hawaii	6,230,841	1.33
25	Utah	6,098,050	4.25
26	South Carolina	5,375,796	1.26
27	Arkansas	4,764,645	3.52
28	Maine	4,687,296	5.76
29	Indiana	4,594,052	1.52
30	Tennessee	4,333,987	3.19
31	Arizona	4,214,123	1.05
32	Missouri	4,034,467	1.02
33	West Virginia	4,019,584	2.01
34	Alaska	3,759,669	5.95
35	Mississippi	3,743,991	1.00
36	New Mexico	3,708,461	1.32
37	Kansas	3,625,717	1.09
38	Delaware	3,127,439	1.81
39	Rhode Island	3,114,169	1.67
40	Nevada	2,893,240	1.49
41	Iowa	2,838,930	9.70
42	New Hampshire	1,966,801	3.00
43	Oklahoma	1,828,417	1.03
44	Idaho	1,165,716	2.19
45	Vermont	1,131,516	2.58
46	North Dakota	980,791	4.10
47	Montana	546,664	1.56
48	South Dakota	487,674	2.03
49	Nebraska	53,369	1.35
50	Wyoming	47,785	1.00
	Totals	534,957,269	1.34
	Puerto Rico	35,279,000**	1.08

* Issuer Rating (No G.O. Debt)

** No General Obligation Debt

*** This figure is not included in any totals, averages, or median calculations but is provided for comparison purposes only.

** This figure is not included in any totals, averages, or median calculations but is provided for comparison purposes only.

2008 State Debt Medians

Table 5: Net Tax-Supported Debt as a Percentage of Personal Income

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Alabama	.7	1.5	2.3	2.2	2.2	2.2	2.0	2.0	2.2	2.0
Alaska	0.5	0.0	1.0	0.4	0.4	0.3	3.0	2.8	2.6	2.7
Arizona	1.9	1.9	1.6	1.6	1.9	2.1	2.3	2.6	2.2	2.0
Arkansas	0.8	0.6	0.9	1.2	1.2	1.4	1.8	1.6	1.6	1.4
California	2.6	2.6	2.4	2.5	2.5	2.5	3.2	4.7	4.6	4.4
Colorado	0.1	0.0	0.0	0.4	0.7	0.9	0.9	1.0	0.9	0.9
Connecticut	8.7	8.7	8.1	8.0	8.0	8.2	8.4	8.5	8.0	7.8
Delaware	5.9	5.7	5.2	5.5	5.3	5.0	5.6	5.5	5.3	5.5
Florida	3.4	3.5	3.4	3.3	3.4	3.5	3.5	3.4	3.2	3.1
Georgia	2.9	2.9	2.8	2.6	2.9	2.9	2.9	2.8	2.7	3.0
Hawaii	10.7	11.2	11.6	11.0	10.4	10.9	10.4	11.1	12.1	10.6
Idaho	0.2	0.4	0.4	0.3	0.4	0.3	0.5	0.6	0.6	0.6
Illinois	2.7	2.6	2.6	2.7	2.8	3.2	5.8	6.2	5.9	5.5
Indiana	0.8	0.9	0.9	1.1	1.1	1.1	1.3	1.4	1.6	2.1
Iowa	0.5	0.5	0.4	0.4	0.6	0.6	0.5	0.5	0.4	0.3
Kansas	1.7	2.0	2.4	3.1	3.0	3.0	3.3	4.0	3.8	3.7
Kentucky	3.9	3.7	3.5	4.4	4.3	4.4	4.4	4.0	4.5	4.3
Louisiana	2.6	2.6	2.4	2.5	2.4	2.7	2.6	2.4	3.1	4.9
Maine	1.9	1.9	2.1	2.0	1.9	1.8	1.8	2.2	2.0	1.9
Maryland	3.1	3.3	3.0	2.6	2.6	2.8	3.0	2.9	3.0	2.8
Massachusetts	7.8	7.8	8.0	8.5	8.5	8.5	8.5	8.5	9.8	9.4
Michigan	1.6	1.7	1.5	1.6	1.5	1.8	2.2	2.2	2.1	2.2
Minnesota	1.9	2.0	1.9	1.8	1.8	1.9	2.0	2.0	2.1	2.2
Mississippi	3.5	4.4	4.7	4.6	4.7	5.6	5.2	4.8	4.8	4.9
Missouri	1.0	1.0	1.0	1.1	1.3	1.3	1.6	1.5	1.6	1.9
Montana	1.4	1.7	1.7	1.7	1.6	1.4	1.3	1.1	1.4	1.5
Nebraska	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Nevada	1.6	1.8	1.8	1.8	1.7	1.4	2.0	2.0	2.2	1.7
New Hampshire	2.4	2.3	2.0	1.5	1.5	1.4	1.5	1.3	1.4	1.3
New Jersey	5.1	5.2	5.3	5.5	5.6	5.5	5.9	7.4	7.9	7.6
New Mexico	1.9	2.6	3.1	4.0	4.0	3.7	4.1	5.3	4.7	5.3
New York	6.5	6.6	6.4	6.2	5.9	5.9	6.7	7.2	6.7	6.7
North Carolina	1.0	1.2	1.4	1.4	1.4	1.6	2.0	2.5	2.8	2.4
North Dakota	0.8	0.6	0.7	0.9	0.9	0.9	0.9	0.6	1.2	1.0
Ohio	2.5	2.7	2.7	2.6	2.6	2.6	2.7	2.9	2.9	3.0
Oklahoma	0.8	1.2	1.3	1.4	1.3	1.2	1.2	1.2	1.4	1.5
Oregon	1.2	1.2	1.3	1.6	1.5	1.6	4.5	4.7	4.5	4.6
Pennsylvania	2.0	2.3	2.2	2.2	2.3	2.3	2.2	2.3	2.3	2.4
Rhode Island	6.6	6.5	6.2	5.3	5.2	5.0	4.4	4.3	4.1	4.6
South Carolina	1.6	1.6	1.6	1.8	2.5	2.4	2.4	2.2	2.5	2.3
South Dakota	1.5	1.5	1.5	1.2	0.9	0.7	0.9	0.9	0.7	0.8
Tennessee	0.9	1.0	1.0	1.2	0.9	0.8	0.8	0.7	0.8	0.7
Texas	1.4	1.3	1.2	1.0	0.9	0.9	0.8	1.0	1.0	1.3
Utah	3.1	3.6	3.3	2.8	3.0	2.9	3.5	3.2	2.7	2.3
Vermont	4.2	4.2	3.8	3.3	3.0	3.0	2.5	2.3	2.2	2.1
Virginia	2.1	2.0	2.1	1.9	1.8	1.7	1.7	1.8	1.7	1.8
Washington	4.8	4.6	4.6	4.4	4.4	4.8	4.9	4.9	4.9	5.1
West Virginia	2.8	3.4	3.3	4.2	4.0	4.1	3.6	4.6	4.4	3.9
Wisconsin	2.8	2.8	2.7	3.2	3.0	3.3	4.5	4.7	4.3	4.2
Wyoming	0.7	1.0	1.0	1.0	1.4	0.9	0.8	0.7	0.3	0.3
Median	2.0	2.2	2.1	2.1	2.3	2.3	2.4	2.5	2.4	2.4



AMERICANS FOR PROSPERITY

K A N S A S

March 19, 2009

Mister Chairman and members of the committee,

Thank you for the opportunity to provide testimony in support of HB 2355.

Since the early 1990s, Kansas has increasingly added to its state debt. From a very low debt state in 1990, we are now ranked as the 18th highest state in terms of debt as a percent of personal income.

- In fact, during this time Kansas' rate of debt accumulation ranks us as the state with the 2nd fastest rate of debt growth while 18 other states were decreasing their debt. . (Moody's 2008 State Debt Medians, March 2008)

Why too much debt is a problem? "To be affordable debt, the repayment of debt should not cause a jurisdiction's tax rate to increase to uncompetitive levels in order to cover the debt service, nor should the repayment of debt negatively impact the provision of ongoing public services.High taxes and public service disruptions can make the State less attractive as a place in which to live and work. In addition, the long-term nature of debt and high levels of debt service can have a severe impact on the State's financial condition. Future revenues will be tied to debt service payments and reduce the State's flexibility to adapt to changing economic conditions and public service needs." *State of Kansas Debt Affordability Report, Dr. Bart Hildreth, Wichita State University.*

There is no free lunch. Money to pay off debt service comes from somewhere and that somewhere is the Kansas taxpayer.

Kansas vs. our neighbors. Our state debt is significantly higher than our neighbors, even though that was not the case at one time.

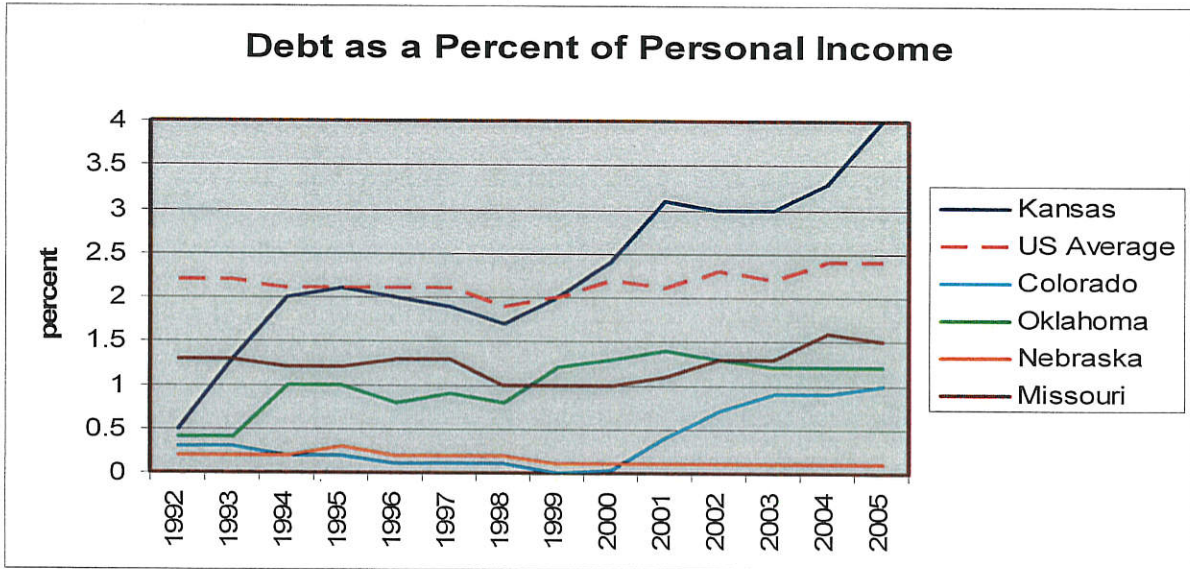
- Kansas' debt per capita is much higher than ALL the surrounding states; in fact, Kansas is 78% higher than our highest neighbor Missouri and 5,364% higher than Nebraska. (Moody's 2008 State Debt Medians, March 2008)

	2007	2004
○ Kansas	\$ 1,202	\$963
○ Missouri	\$ 675	\$461
○ Oklahoma	\$ 493	\$315
○ Nebraska	\$ 22	\$ 43

- Kansas' 2008 debt as a percent of personal income ranks much higher than ALL the surrounding states (Moody's 2008 State Debt Medians, March 2008)
 - Kansas 18th
 - Missouri 31th
 - Oklahoma 38th
 - Colorado 46th
 - Nebraska 50th

Kansas Debt Facts

- Kansas debt has increased 678% since 1992, from \$424 million in 1992 to \$3.34 billion in 2008.
- Kansas 2007 total debt service (principle + interest) was \$268 million. (*Kansas Legislative Research, 2007*)



- In 1992, the states that most resembled Kansas in debt as a percentage of personal income were Indiana, Arkansas and Oklahoma. However, for 2008, Kansas has 2.3 times more debt than Oklahoma, 2.1 times more than Arkansas and 2.3 times more debt of Indiana. (*Moody's 2008 State Debt Medians, March 2008*)
- During this same time ('92-'08) 18 states actually DECREASED their debt as a percent of personal income. (*Moody's 2008 State Debt Medians, March 2008*)
- Kansas debt as a percent of personal income has increased 640% between 1992-2008. During this same time, the US average increase was only 13%. (*Moody's 2008 State Debt Medians, March 2008*)

Kansas Constitution: Let the People Decide.

The Kansas Constitution gives the legislature authority to issue up to \$1 million in General Obligation debt. Beyond that level, Kansas citizens, in a direct vote of the electors, are to decide whether to allow the state to move further into indebtedness.

Thank you for your time and consideration.

Derrick Sontag
State Director
AFP-Kansas