

KANSAS LEGISLATIVE RESEARCH DEPARTMENT

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March 6, 2012

To: Senator Dwayne Umbarger
From: Jarod Waltner, Senior Fiscal Analyst
Re: 2001 W-3 Bond

The FY 2013 Governor's budget recommendation includes the use of Expanded Lottery Act Revenues Fund expenditures to call bonds. Included in the recommendation is \$11,182,256 to call the 2001 W-3 bond held by the State Fair.

The original debt service schedule for the 2001 W-3 bond runs through FY 2022. Debt service payments are approximately \$1.4 million annually, which would total approximately \$14.0 million.

Calling a portion of the 2001 W-3 bond will result the continuation of debt service payments on the bond. The debt service schedule would still run through FY 2022 but annual payments would be reduced approximately proportionally to the remaining principal after the lump sum payment toward the bond.

According to the Kansas Development Finance Authority, calling a portion of the bond affects the payment date on the W-3, W-4, and W-5 bonds. Paying in full, the KDFA could call the W-3, W-4, and W-5 bonds on July 3, 2012. Paying a portion of the bond would result in KDFA having to wait until a scheduled debt service payment, which would be October 1, 2012. This delay will result in approximately \$150,000 in additional interest.

The proposed adjustments to the 2001 W-3 bond made by Ways and Means Subcommittees include:

- a reduction of \$696,916, which will be used for capital improvements projects in the Adjutant General department;
- a reduction of \$740,050, which will be used for debt service payments in the Department of Administration;
- a reduction of \$125,000, which will be used for capital improvements expenditures in the State Historical Society; and
- a reduction of \$1,549,014, which will be used for infrastructure projects in the Department of Agriculture.

Senate Ways and Means
Date: 03-08-2012
Attachment: 15

Adopting any of those proposed adjustments will also cause the increased interest costs of approximately \$150,000. In addition, leaving a balance on the debt service for the bonds will require a second debt service interest payment on April 1, 2014, which will reduce the amount available for payment on October 1, 2013.