# Annual Debt Service Estimate for $1.0/1.5 Billion in Net Proceeds

*Assuming: Annual Appropriation Pledge from the State General Fund and Taxable non-callable bonds*

| | All Inclusive Cost (%) Average Annual Debt Service ($M) | S&P 'AA-' Moody's 'Aa3' | S&P 'A+' Moody's 'A1' |
|---|---|---|---|
| 30 Year Level | 11/20/14 Market Yields | 4.42% | 4.71% |
| | FY16-17 Debt Service | 60.2/90.3 | 62.2/93.3 |
| | FY18-45 Debt Service | 60.2/90.3 | 62.2/93.3 |
| FY16&17 Interest Only | 11/20/14 Market Yields | 4.41% | 4.73% |
| | FY16-17 Debt Service | 36.7/54.5 | 39.1/58.6 |
| | FY18-45 Debt Service | 63.4/95.1 | 65.5/98.2 |
| FY16&17 Capitalized Interest (No Debt Service) | 11/20/14 Market Yields | 4.44% | 4.73% |
| | FY16-17 Debt Service | 0/0 | 0/0 |
| | FY18-45 Debt Service | 68.4/102.6 | 71.0/106.5 |

*This analysis should be used for estimation purposes only. Assumptions for these projections are based on the best available information under current market conditions. No representation is made that these assumptions will prevail for any proposed transaction. Yield data 11/20/2014*

| Date | UST 10 year | UST 30 year |
|---|---|---|
| 11/20/2014 | 2.36% | 3.08% |
| 12/30/2014 | 2.18% | 2.75% |
| 1/23/2015 | 1.81% | 2.38% |

KDFA (jcm) 1/25/15

# Rating Considerations for $1.0/1.5 Billion of Pension Bonds

| | | | |
|---|---|---|---|
| *Current Ratings (ICR)* | S&P | 'AA' with negative outlook | downgrade 8/6/14 |
| | Moody's | 'Aa2' with stable outlook | downgrade 4/30/14 |

*Vulnerabilities*

Structurally imbalanced budget

- Tax cuts without corresponding expense cuts
- Use of non-recurring budget balancing strategies
- Reserves exhausted during period of economic growth

Potential large impact from K-12 school funding litigation
Significant unfunded pension liability and high fixed charges
Economic and population growth below US average

*Debt Profile*

Approximately $4.1B (FY13 end)
Tax Supported $3.1B

- State Highway Fund $1.7B
- State General Fund $1.1B
- Other Tax Supported $0.3B

*Authorizations*

$231M NBAF
~$1.1B SHF (cap at debt service 18% of revenues)

*Metrics*

| | *Current* | *+$1.0B* | *+$1.5B* | *US Median* |
|---|---|---|---|---|
| Net Tax Supported Debt (NTSD) per capita | $1,097 | $1,443 | $1,615 | $1,436 |
| NTSD as % of Personal Income | 2.6% | 3.4% | 3.8% | 2.6% |
| NTSD as % of Kansas GDP | 2.3% | 3.0% | 3.4% | 2.4% |
| Debt Service as % SGF | 1.8% | 2.8% | 3.3% | n/a |

*Rating Impact*

Higher leverage, higher risk proposition for investors, lower rating
Reduced budget flexibility, especially when budget already stressed