

Thank you for the opportunity to testify on SB 193.

We support the idea of coming to a consensus on a reasonable and workable debt policy for Kansas, and annually preparing a report on state debt, which we believe should be assigned as a joint responsibility to the Department of Administration and KDFA.

SB 193 is an effort to do that. However, before the Committee considers moving the bill forward, various terms in the bill should be more specifically defined or given contextual structure or purpose. Line 13 refers to state debt, but does not define the debt encompassed by this term, for example, that debt which is an obligation of the state general fund. On line 23, it is unclear whether “revenue available to pay debt service” refers to all revenue of the state or only revenues into the State General Fund. Likewise on lines 22 and 24, it is uncertain whether “tax-supported debt” refers only to debt repaid by the State General Fund or debt repaid from all sources of revenue. The interpretation of these terms makes a significant difference in the application of the debt limit outlined in the bill and also in the presentation of several of the items required in the annual report. Also, line 17 on page 2, refers to the state’s general obligation credit rating. The state of Kansas does not issue general obligation debt, and does not receive a general obligation credit rating. The AA+/Aa1 issuer shadow credit rating assigned to debt issued by KDFA by Standard & Poor’s and Moody’s is based on the strength of the state general fund appropriation credit.

For FY 2008 estimated State General Fund debt service payments total just under \$68 million, or 1.2 % of the expected revenue to the State General Fund. However, another \$204 million of debt service payments will be made from other special dedicated revenue funds that have been specifically pledged to repay bonds. Most of the other debt service payments are made from the Highway Fund, but also from the State Institutions Building Fund, the Education Building Fund, the Correctional Institutions Building Fund, university parking and housing funds, etc.

Standard and Poor’s and Moody’s, the state’s two main rating agencies, take different approaches to these definitions. Standard and Poor’s counts obligations of the State General Fund as tax supported debt, while Moody’s includes the debt obligations of special revenue funds.

We believe further discussions should take place about this bill and the Department of Administration and KDFA are ready to participate.