

**TESTIMONY BEFORE THE
HOUSE TRANSPORTATION COMMITTEE
REGARDING HOUSE BILL 2255
RELATING TO THE TRANSPORTATION REVOLVING FUND,
THE COMMUNICATION SYSTEM REVOLVING FUND, AND
THE KANSAS INTERMODAL TRANSPORTATION REVOLVING FUND**

February 17, 2015

Mr. Chairman and Committee Members:

I am Kent Olson, Director of the Division of Fiscal and Asset Management for the Kansas Department of Transportation. KDOT is providing this testimony in support of House Bill 2255, which will enable KDOT to discontinue lending programs and the issuance of bonds to support such programs under the Transportation Revolving Fund (the “TRF”), the Communication System Revolving Fund (the “CRF”), and the Kansas Intermodal Transportation Revolving Fund (the “KITRF”). I will separately discuss the history of each of these funds and the reasons KDOT is requesting this authority.

Transportation Revolving Fund

The TRF was authorized by the passage of the Comprehensive Transportation Program (the “CTP”) in 1999, as a way to provide a low-cost funding source to cities and counties in Kansas for local transportation improvement projects. Since the TRF was first funded in 2004, 151 applications have resulted in 119 executed loans totaling \$141.7 million. Currently, 52 loans are outstanding for a total of \$34.6 million.

Over the past few years, usage of the program has greatly diminished, due in part to local governments being able to obtain funding at lower interest rates than the rate offered through the program. In addition, KDOT has implemented or continued to support other programs for local partners that assist with the cost of infrastructure improvements, such as the Federal Fund Exchange Program, the City Connecting Link Resurfacing Program, the Economic Development Grant Program, the Geometric Improvement Program, the Corridor Management Program, the Transportation Enhancement Program, and the Safe Routes to Schools Program. Most recently, KDOT provided over \$10 million dollars in grants to 77 cities and counties to replace or rehabilitate local bridges classified as structurally deficient or functionally obsolete.

Under Sections one and two of the proposed bill, KDOT would not be allowed to issue additional bonds for the TRF program, nor take applications for additional loan agreements with cities. However, the proposed legislation would leave in place KDOT’s authority to recoup payments outstanding on the existing loans and fulfill the agency’s obligation to the bondholders.

Communication Revolving Fund

In 2004, KDOT's statewide 800 MHz radio system was made available for use by state and local governmental entities, law enforcement, and public safety entities in order to build a statewide interoperable communication system. The CRF was created at that time to provide KDOT with a funding mechanism to purchase equipment to be leased by local users on the expanded system. This leasing program provided a method for small entities to acquire the equipment necessary to operate on the system, but spread the cost over a period of time. Although authority to issue bonds to support the program was provided in K.S.A. 75-5077, KDOT was able to fund the purchase of equipment for local users through existing resources.

The agency believes a need for authority to issue bonds in connection with the communication system no longer exists. Section 3 of the bill eliminates this bonding authority. However, as with the TRF program, KDOT's authority to recoup outstanding payments and fulfill the agency's obligation to bondholders would remain intact.

Kansas Intermodal Transportation Revolving Fund

The KITRF was created by legislation passed in 2009 to provide assistance to governmental units for intermodal transportation projects. This effort was driven by the development of the BNSF intermodal facility near Edgerton, Kansas. KDOT worked extensively with the railroad, developer, and local partners to address significant needs for infrastructure improvements to support the intermodal facility. The 2009 legislation granted KDOT authority to issue bonds to finance loans to governmental units or private enterprises which were involved in the construction of a qualified intermodal transportation project. While the legislation was broadly written, it was aimed at supporting the needs of the city of Edgerton and BNSF with improvements related to the BNSF Intermodal facility.

Since the passage of the KITRF legislation, neither Edgerton nor BNSF have had a need to seek funding from the KITRF; hence, no KITRF bonds have been issued. Edgerton has been able to take advantage of other financing means for its intermodal-related infrastructure needs. As with KDOT's experience with the CRF, an anticipated need simply did not materialize. Both Edgerton and BNSF support KDOT's efforts to repeal the statutes relating to the KITRF, and we will be providing letters from them to the committee to that effect in the next few days.

Summary

In summary, the need or anticipated need for the TRF, the CRF, and KITRF has either declined in recent years or not materialized. As KDOT's financial resources are being stretched, we have sought to identify the core functions of the agency in an effort to more effectively focus our resources on the state's most pressing transportation needs. The process of issuing bonds in order to loan money for a limited number of local projects is not seen as a core mission of KDOT. After review and consideration of the costs of administering these lending programs, KDOT believes it is in the Agency's and State's best interest to discontinue the programs as provided in HB 2255.

Thank you for the opportunity to appear before the committee today. I would be happy to answer questions at the appropriate time.