

ROADS AND HIGHWAYS COMMITTEE MEETING -- FEBRUARY 15, 1971

The Roads and Highways Committee met in room 535 at 2:45 P. M. on February 15, 1971. Chairman Dierdorff called the meeting to order and all members were present except Mr. Davis and Mr. Rosenau, both excused to appear before another committee.

Ed Weillepp, Topeka, Kansas Contractors' Association was a guest.

Conferees were R. L. Peyton, Assistant State Highway Director and James W. Bibb, Budget Director.

The topic of discussion was "State Highway Commission Budget for FY 1972".

The following are some of Mr. Bibb's remarks:

I will give you some idea how the budget comes together and what information is available to you as legislators. I suspect those of you not on the Ways and Means Committee are not as familiar with the mass data that is available through the Ways and Means Committee for the agencies that are in the state budget. As most of you are aware, the legislature, at the start of the session, introduces four bills - two in the House and two in the Senate. By tradition the Senate and House Ways and Means Committee has split the agencies.

The bill in which the budget for the state Highway Commission appears is House Bill 1095, section 90.

Up until now the bills have been organized by fund. This year the appropriation bill in section 90 is for the appropriations for 1972. All of you have a budget document and in it is a statement of the budget of the Highway Commission. What you are given is a statement of the expenditures by activities. Our

activity coding that is used in the budget is an attempt to identify the various programs carried on by different agencies of the state - an attempt to identify what is done rather than what is purchased. Our budget is built around two statistical codes, the activity and the object. The object will always be a capital outlay item.

Your budget document gives you the total your highway department intends to spend for fiscal 1972 for administration. \$4.1 million. It gives you the expenditure for motor vehicle registrations, maintenance, research and planning, communications, refunds, traffic and safety.

There are two other totals - amount of federal and state aid for local units of government and the amount of money that goes for capital improvement. This data is available to all legislators in the budget document.

There is also a formula how the money will be spent by object.

The third area in the budget is the expenditure by funds. This takes the same expenditure of an agency and distributes it among the state and federal fund.

There is in the budget document some brief program information and then after the program information there is a section that gives you the appropriation bill text that is recommended, and that later becomes the appropriation bill of the legislature.

As an example, the highway budget that you receive is from page 83-91. That nine pages is a summary of the document. This document takes each of the activities the highway has. It gives

for each activity a summary of all the objects of expenditure that will be made on that activity. It gives a list of all the positions that make up the salary total. It also gives you a listing of all the capital outlay items.

A few years ago the entire highway fund was termed a "no limit appropriation". The highway fund is one of the dedicated or earmarked funds. There is some dedication of these funds in the constitution and a lot in the statutes. The highway fund is financed out of dedicated revenues. For a number of years the entire highway budget appeared in the appropriation bill as a one line item. A few years ago the legislature started going a little further with their legislative review or control of the highway fund. They continued appropriating it as a no limit. Then they came along with a limit - everything was limited except local aid and highway construction money. In effect, they said they would control the administrative expenses. We will leave the capital improvements as a no limit. That is the way it is now. Within the no limit on capital improvement the legislature has limited two items -- the construction of park roads and the construction of buildings. With the two exceptions there has been left no limits. Limiting the administration leaves the balance for the construction of highways.

The budget for next year and for all fiscal years shows a negative balance or imcumbrances exceeding the expenditures by anything from 41 million to some thirty million dollars. There is a special authority for the Highway Commission to go ahead and let contracts even though the funds are not in the treasury.

The Highway Commission has a different problem in financing their budget than other agencies. They have to manage a special revenue fund and also one that has federal reimbursement. They also have to manage to let contracts and anticipate the flow of the demands of all those contracts against their estimated flow of cash receipts, so at the time they are letting contracts there will be cash coming in. They have to manage six sets of books, all of which are designed to do different things.

Mr. Peyton: The restrictive fund is the counting mechanism used to receive funds from other agencies who participate in the highway activities -- the Corps of Engineers, the Bureau of Reclamation. If there is a project that is being paid in part by a city for relocation costs and the cities enter into an agreement with the commission for a highway project in which the city participates in cost, that money goes into a restrictive fund.

Starting back in 1955 the Federal Government imposed some kind of a cut back or hold back, or deferment of transmission of federal funds. When this occurs we have to defer items in the capital outlay program that were previously financed by those funds until some later date. We do not actually lose these funds. There is a difference between authorization from the federal highway trust fund and the actual money allocated by the various administrations of the federal government to the states on a national basis -- the difference of about three billion dollars which is still due the states and hasn't yet been granted to the states under contract control, so it is a

constant widening of that gap - authorization by congress and authorization by the administration.

Since 1966 the state has inserted into all of our capital outlay activities a number of programs that cost a lot of money. They can be categorized as social, ecological and environmental. A social program is relocation of systems and acquisition of right-of-way. Ecological is pollution control. Environmental is one that requires us, in a location study, to determine and report, and convince, the federal people that the impact of the proposed construction will not deteriorate the environment.

For these reasons lead time has advanced from what used to be two to three years to twice that -- four to six years or four years for relatively uncomplex projects and six years for more complex projects, so when we prepare a budget it is made out two years in advance. We are doing the best we can to estimate what items in the program of construction will be brought to contract within this budget year. Thinking of this as an on-going program extending over about four years behind the budget year and about six years ahead of the budget year, with all the restraints, we make our best estimate and say we think this is what we are going to get accomplished.

Our budget actually has three grant divisions which contain money allocated to other agencies not under the expenditure control of the State Highway Commission. The second division is state operations, which is everything except items chargeable to construction projects. The third division is capital improvement program of construction. If you think of it in those

terms, and interspersed are certain federal aid funds, so we actually operate in 24 different fund classes, and this is a fiscal management problem for us.

Another thing I would like to refer to is if you think of the total collection of highway user taxes in this state -- driver license fees, motor vehicle registrations, fuel taxes, approximately 1/3, a little more, goes to agencies outside of the State Highway Commission expenditure control. Some appear in our budget as statutory transfers and some of it never gets in the budget. Approximately a little less than 1/3 goes for state operations, leaving approximately 1/3 for construction. Add the 1/3 to the state resources and the federal aid grants and you come up with the figures that appear in the budget.

HOUSE BILL 1044 - an act relating to the construction and repair of bridges and culverts on county roads; providing for the use of day labor; authorizing the issuance of bonds and no-fund warrants and the levy of taxes to pay the cost thereof; amending KSA 68-1103 and 68-1116 and repealing the existing sections.

Mr. Dugan, chairman of the sub-committee on House Bill 1044 presented the amended that bill for final vote. The amendment was previously passed by the committee.

Mr. Ratner made a motion, second by Mr. Ossmann, that House Bill 1044 be recommended for passage as amended. Motion carried.

The meeting was adjourned.

Fran Stafford, Recording Secretary

APPROVED: 2-18-71

Arden Dierdorff
ARDEN DIERDORFF, CHAIRMAN