

MINUTES OF THE HOUSE COMMITTEE ON WAYS AND MEANS

The meeting was called to order by BILL BUNTEN at \_\_\_\_\_  
Chairperson

1:30 ~~am~~ p.m. on Wednesday, February 16, 1983 in room 514-S of the Capitol.

All members were present except: Representatives Wisdon, Heinemann, Holderman--all excused

Committee staff present: Marlin Rein -- Legislative Research  
Lyn Entrikin- Goering -- Legislative Research  
Bill Gilmore -- Legislative Research  
Jim Wilson -- Office of the Revisor  
LewJene Schneider -- Administrative Assistant  
Charlene Wilson -- Committee Secretary

Conferees appearing before the committee:

Representative David Miller on HB2275  
Harley Duncan, Division of Budget  
Richard Ryan, Department of Research  
Representative Fred Weaver on HB2290  
John Kemp, Secretary of KDOT  
Dan Watkins, Chief Counsel for KDOT  
Steve Holsteen, Governor's Assistant  
Bill Clarkson, Kansas City Contractor  
Bill Williams, Legislative Director for Contractors  
Charlie Stryker, Kansas Engineering Society  
Ernie Mosher, League of Municipalities  
Fred Allen, Kansas Association of Counties  
Ralph McGee, Kansas AFL-CIO  
Representative Robert Frey on HB2290

Others present: (Attachment I)

The meeting was called to order at 1:30 p.m. by Chairman Buntten.

The Chairman indicated that the first order of business for today would be hearings on HB2275.

House Bill No. 2275 -- "An Act concerning the state budget; relating to the governor's budget report and consensus revenue estimates; amending K.S.A. 1982 Supp. 75-3721 and repealing the existing section."

The Chairman recognized Rep. David Miller to review the provisions of this bill for the committee. He also read from written testimony, (Attachment II). He closed his testimony by saying that there are complications in any proposal and he knows that there are some people who are concerned with what this proposal might do. But basically, he believes that the concept is correct and is one which should be kept.

Harley Duncan appeared as an opponent to HB2275. He read from a prepared statement. (Attachment III).

With regard to mention of the Concensus Estimating Group mentioned in Mr. Duncan's statement, Representative Rolfs asked why, when so many of the decisions that are made by this group are very important ones, are the meetings held behind closed doors. Mr. Duncan responded by saying that two important things need to be recognized here. First of all, the decisions of the Concensus Revenue Estimate Group do not control the Governor or the legislature in taking certain action. Rather they serve in an advisory capacity, in terms of giving their best estimate of what the coming year will bring in terms of revenue. Both the Governor and the legislature have the right to disagree with those estimates. It is appropriate that they not be subject to the open meetings act in that there is no controlling feature established by the concensus estimates. Secondly, under the current process each of the members of the group brings in a separate estimate of each state general fund source and these are then compared and the process of discussion begins. From this discussion the estimates are arrived at. He fears that if there were observers at this meeting, an inability and lack of desire to move off of the original estimates reported by the individual members of the group would exist. He

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON WAYS AND MEANS,

room 514-S, Statehouse, at 1:30 ~~xxx~~ p.m. on Wednesday, February 16, 1983.

indicated that he was speaking here as an individual and not on the part of the other members of the Concenses Group.

Representative Shriver asked Mr. Richard Ryan of the Legislative Research Dept. to give his opinions on the same matter. Mr. Ryan indicated that he, too, has had some problems with whether the meetings should be open or not. He is sympathetic toward the feelings of the legislature concerning this matter. He expressed concern with the fact that if it were open it would change the ground rules somewhat. Mr. Ryan stated that the group has always come up with a concensus and those figures are published and given to the leaders of the legislature and any other legislator who wants them. He stated that he can see that if these meetings are open, the press will pick up on the estimates that are being discussed and this is where the problems could begin. He feels that the present system has worked well but if it is the wish of the legislature to open these meetings up to the public he would not stand in opposition to this.

House Bill No. 2290 -- "An Act concerning highways; relating to financing thereof; prescribing certain transfers to the state highway fund and the special city and county highway fund; prescribing certain duties for the secretary of revenue; amending K.S.A. 1982 Supp 68-2313 and repealing the existing section."

Representative Weaver was called upon by Chairman Bunten to review the provisions of HB 2290. Written testimony was also distributed to the committee. (Attachment IV).

Secretary Kemp, Department of Transportation, was next to appear as a proponent of HB 2290. He read from written testimony. Copies were not made available to the committee members.

Representative Meacham asked Sec. Kemp if they have made any progress of addressing the legal ramifications of making the transfer of funds. Sec. Kemp indicated that he has been advised that there is no problem with making the transfer. Representative Meacham went on to ask if the Bond Council has made any determination that there is no problem with the transfer. Sec. Kemp referred to Mr. Dan Watkins, Legal Counsel, to address this question. Mr. Watkins indicated that they have researched this thoroughly and they have found no problems with the transfer.

Mr. Steve Holsteen was called upon to appear in support of HB 2290. He read from written testimony. (Attachment V).

Mr. Bill Clarkson appeared in support of HB 2290.

Mr. Bill Williams was called upon next to testify in support of HB 2290. He stated that they feel this bill very adqutely meets the needs of the state. He further stated that the practical matter is that this is a very sound bill and should be passed.

Charlie Stryker appeared in support of HB 2290. He referred to written material for his testimony. (Attachments VI and VII).

Mr. Ernie Mosher appeared in general support of HB 2290. He read from written testimony. (Attachment VIII).

Fred Allen was called upon next to testify in support of HB 2290. He referred to the County Platform that each of the members of the committee have received previously. He urged serious consideration of this bill.

Mr. Ralph McGee appeared in support of HB 2290. He read from written testimony. (Attachment IX).

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON WAYS AND MEANS,  
room 514-S, Statehouse, at 1:30 ~~XX~~ p.m. on Wednesday, February 16, 1983.

Representative Robert Frey was the final conferee to testify on HB2290. He indicated that he was speaking as an opponent to HB 2290 on behalf of the patrons in his district. It is the feeling of the residents of his area that if the fund is depleted that the entire project on Highway 54 will be put off for a much longer period of time than what has been determined by the Department of Transportation. He urged the committee to look at alternate methods rather than making the transfer of funds.

The Chairman brought to the attention of several of the Subcommittee Chairmen that they have reports that will be considered in committee tomorrow.

The meeting was adjourned at 3:30 p.m.

## GUESTS

DATE 2-16-83

NAME	ADDRESS	REPRESENTING
1. Louie Busby	Lawrence	Luzgati Antin
2. Bruce Schreier	Lawrence	AP
3. Steve Holston	Topeka	Gov Off
4. H. L. Dunson	Topeka	Budget Bureau
5. John B. Kemp	Topeka	KDOT
6. Michael O'Keefe	"	"
7. Lee R. Stokes	Emporia	Instit. of Music Engrs
8. Ed Miller	Topeka	League of the Municipalities
9. Bill Henry	Topeka	Ks. Engineering Society
10. CHARLES A. STARKER	TOPEKA	KANSAS ENGR. SOCIETY
11. DAN RAMLOW	TOPEKA	Ks. Contractors Assn
12. Lynn Minkow	Topeka	Division of Budget
13. Glenn Butler	Topeka	Ks. Contractors Assoc
14. John D. McNeal	Topeka	Self
15. Gil Brostman	Topeka	Kansas Motor Car Dealer
16. JIM SULLINS	TOPEKA	Ks. MOTOR CAR DEALERS ASSN
17. Routea Shuech	Topeka	KAPE
18. GARY STOTTS	TOPEKA	BUDGET
19. Merle Hree	Topeka	Ks. Good Roads Assn
20. Charles Anderson	Lawrence	K.U.
21. Fred Allen	Topeka	KAC
22. Mary Alice Lair	Piqua	V. Chairman GOP
23. Jacques Dokes	Wates Center	Board K.A.S.B.
24. Leroy Jones	Overland Park	B. L. E.
25. K. Clarkson	MISSION Hills	Ks.

Atch. I

GUESTS

DATE \_\_\_\_\_

NAME

ADDRESS

REPRESENTING

1.	Don Watkins	St Off. Bldg 7 <sup>th</sup> Floor	KDOT
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2.	Ralph McGee	RS. AFL-CIO	TOPRA
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DAVID G. MILLER  
 REPRESENTATIVE, FORTY-THIRD DISTRICT  
 DOUGLAS AND JOHNSON COUNTIES  
 1312 FIR  
 EUDORA, KANSAS 66025



TOPEKA

HOUSE OF  
 REPRESENTATIVES

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 INSTITUTIONS  
 MEMBER LEGISLATIVE JUDICIAL AND  
 CONGRESSIONAL APPORTIONMENT  
 PENSIONS, INVESTMENTS AND  
 BENEFITS

STATEMENT FOR THE WAYS AND MEANS - February 16, 1983

Thank you, Mr. Chairman, for holding this hearing of the Balance Budget Bill of 1983. This measure, HB 2275, was introduced last week in the House and is co-sponsored by 25 members of the House including several members of this committee and several chairmen of House standing committees.

This proposal would amend the statute that provides for a governor's budget report to the legislature. Annually, as you know, the governor submits a budget message to the legislature outlining the governor's recommendations for the fiscal policy of the State. The bill proposes to amend that statute by inserting language beginning on line 71 and ending on line 78. The language would require that the budget plan for the coming fiscal year not propose expenditures that exceed anticipated revenue. The bill makes reference to the consensus estimate of revenue determined every year by the so called consensus revenue estimating group. In order to reference that estimate, section 1 of the bill (lines 24-45) creates the consensus revenue estimating group. The group as proposed in this measure is intended to be no different than the group that currently exists. However, it does put the existence of the group in the statutes. I felt that it was necessary to have the group and its work in the statute in order to make reference to it in KSA 75-3721.

This bill, Mr. Chairman, is intended to enhance our annual adoption of a balanced budget. As you know, in the past several years state expenditures have outrun state revenue. I realize there are several reasons for that. I do not contend that simply passing this will solve that problem. But it will help. Because if we are to end each session of the legislature with a balanced budget, then I believe we must begin each session of legislature with a balanced budget proposal.

Atch. II

Included in the measure is what maybe a controversial proposal, that is, a governor's budget plan must be balanced on the basis of existing law. I think it is a mistake for anyone, including state government, to balance a budget on the basis of a hope or an untested proposal. (I realize some will view this as anti-severance tax. That is not the case. The intention here is not to try to defeat any severance tax proposal.) I believe our legislative budget process mandates this provision.

I have attended many meetings of this committee over the past 2 years. It seems to me that generally the committee reviews both an agency's past expenditures and the governor's proposed expenditures; and then makes many of its decisions in the context of the governor's recommendation i.e., more, less, or the same. It is clear to me that the governor's annual budget proposal becomes the center piece for most budget decisions. Therefore, it seems to me that if the governor's proposal is not balanced, we run the risk every year of adopting an unbalanced budget.

I want to hasten to add that this proposal in no way diminishes any governor's right to propose any tax program he or she might choose. What it does, however, is require a governor to propose new taxes in a separate message rather than having it integrated into the basic budget plan. If the tax proposal is included in the budget and it doesn't pass, it then becomes a very difficult task to extract that proposal from the budget.

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Testimony on HB 2275  
by  
Harley T. Duncan  
Division of the Budget

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to appear before you on HB 2275. I appear in opposition to the bill.

The bill makes two substantive changes in current law. First, the bill establishes in law a governmental body and process that appears similar in intent and nature to the current "consensus revenue estimating" process. It would establish the consensus revenue estimating group consisting of the Division of the Budget, the Legislative Research Department, the Department of Revenue and other consultants and advisors secured by the group. The group would be required to prepare estimates of State General Fund revenues under current law by March 31 and November 15 of each year. Further, the bill would require that the budget plan submitted by the Governor to the Legislature must be based "entirely on anticipated income to all funds under current law" and in no event could the Governor's budget propose State General Fund expenditures "for a fiscal year which (are) more than the most recent consensus estimate of revenues for the state general fund for that fiscal year which is adopted by the consensus revenue estimating group."

Currently the consensus revenue estimating process operates under an agreement between the executive and legislative branches that was put into practice in response to a 1974 interim study of the Legislative Budget Committee (Proposal No. 55 - General Fund Appropriations -- See Attached.) The Committee was convened to study the "desirability of establishing procedures for determining and limiting the total amount of state general fund appropriations during any legislative session." The Committee focused its attention on revenue estimating. It concluded that "it would be desirable to eliminate, insofar as possible, controversies between the executive and legislative branches over general fund revenue estimates" and to establish a procedure whereby state general fund estimates for the current year and budget year could be available to the Governor and Legislature in December so they could be used for planning before the Legislature convenes. The Committee requested that the Division of Budget, Department of Revenue and the Legislative Research Department cooperate in preparing such estimates "by freely exchanging information relative thereto and by attempting to develop consensus estimates" annually.

Attch. III



Under the auspices of this request the parties involved have for nine consecutive years developed consensus state general fund estimates. This process has served Governors, the Legislature and the state of Kansas well, I believe. This success I believe derives in large part from the intent and nature of the consensus process.

1. The primary intent is to eliminate controversies between the executive and legislative over the appropriate revenue estimates by involving all parties in a process designed to reach an agreed upon set of estimates.
2. The primary purpose of the estimates is to provide planning information to the Governor and Legislature prior to the convening of the session. The estimates developed are clearly to be advisory only. No mention is made of the manner in which the estimates are to be used and the report clearly envisions that reaching a consensus may not be possible. It therefore provides that the separate estimates may be reported independently. Neither the Governor nor the Legislature is legally bound to these estimates except by a moral obligation which exists on the part of both to use the best information available for revenue estimating purposes.

While HB 2275 apparently intends to replicate the current process in law, it provides for the estimates developed to be controlling on the executive branch. In so doing, the bill will, in a subtle but serious manner, change the consensus process and could, in my estimation, be fatal to the process. I believe this for several reasons.

1. By establishing the estimates as controlling on the Governor's budget, the bill introduces the question of motive into the deliberations of the group. Under current procedure, the only motive of the group is to produce the best estimate possible of state general fund revenues and to advise the Governor and Legislature of those estimates. Under HB 2275, the estimates would form a ceiling on the Governor's budget which automatically and of necessity introduces another consideration into the process, a consideration I feel would be detrimental to the purpose of producing the best estimates possible. This criticism is not meant to cast doubt on the integrity of any member of the group nor is it meant to imply that any member would do other than attempt to produce the best estimate possible. It cannot be denied, however, that perceptions of motives would be introduced into the process under

HB 2275 and I believe this would be detrimental to the consensus process.

2. The procedure established in HB 2275 makes no allowance for the potential inability to reach a consensus, while the Legislative Budget Committee report clearly envisions that such could be the case. This would seem to let one person dictate the results of the process or lead to such procedures as votes and the like. Either would be seriously detrimental to the consensus procedure.
3. HB 2275 seems to raise serious separation of powers questions by legally establishing a role for legislative staff in a set of deliberations which become controlling only on the executive branch.
4. Finally, HB 2275 would appear to make the consensus revenue estimating process subject to the Open Meetings Act in that it establishes the group as a legal governmental entity and sets forth for it a legal function of establishing the limits of the Governor's budget. This would in my mind be extremely detrimental to the current process of discussion, deliberation, "give and take" and agreement which now occurs. Currently, the process is truly one of arriving at a consensus in which all parties freely discuss their estimates and assumptions and through a process of debate and agreement a single estimate for each source is developed. No votes are taken. I strongly doubt that the same sort of agreement could be reached under the requirements of the Open Meeting Act. Moreover, it is not inappropriate that the current process is not conducted under the Open Meetings procedures because the group is simply an assembly of staff persons preparing estimates for the purpose of advising elected officials.

In addition to our concerns about the effect of HB 2275 on the current consensus revenue estimating process, we have serious objections to those provisions which require that the Governor's budget plan be limited in expenditure totals to estimated receipts under current law and that they be developed without regard to potential receipt from proposed revenue sources.

First, these provisions represent an arbitrary constraint on the responsibility of the Governor to represent the interests of all Kansans. The Governor is the only statewide elected official with responsibility for representing the interests of all citizens in all areas of

governmental policy. As such it is incumbent upon him to propose a budget that he feels represents the needs and interests of the state. Included is the responsibility to propose levels and types of taxation to finance the services he recommends. HB 2275 would deny the Governor the opportunity to make such recommendations and thereby deny him the opportunity to fulfill the responsibilities for which he was elected.

X Second I fear that the constraints imposed by HB 2275 would lead to the construction of artificial budgets that are of limited utility to the Governor and the Legislature. That is to say if HB 2275 were law and a Governor was convinced that additional resources were necessary to finance services he would be faced with one of several choices.

1. He could pare down his recommendations for all agencies to levels that are intolerable and unsustainable and make supplemental recommendations to the Legislature.
2. He could make drastic and unrealistic reductions in certain programs to finance remaining programs at sufficient levels and send supplemental recommendations for those programs treated unrealistically.

Take, for example, constructing the FY 1984 budget under the provisions of HB 2275. To meet the requirements of the bill, the Governor's FY 1984 State General Fund spending recommendations would have to be reduced by roughly \$152 million. HB 2275 would require that, on average, the recommendations for all agencies be reduced by 9.7 percent from what many consider to be austere, and in some cases, inadequate levels. Alternatively the \$152 million difference could have been offset roughly by recommending no State General Fund appropriations for all correctional and public safety agencies as well as the Department of Health and Environment and all state institutions for the mentally ill and retarded. Another approach would have been to recommend no State General Fund expenditures for Kansas State University, the University of Kansas and Wichita State University. I would also interpret HB 2275 to have required the Governor to reduce proposed FY 1983 expenditures by \$100 million in addition to the lapses approved in SB 54 as well as the payment shifts approved in SB 24 and 27. The point is that in years such as this when the need for additional revenues is well-documented and apparent to nearly everyone that HB 2275 would impose extremely artificial constraints on the Governor's budget and would render the budget as a blueprint for state government virtually meaningless.

In conclusion, I have two deep concerns. First, I fear that the role outlined for the consensus revenue estimating group would have a serious and detrimental effect on that process. The current procedure has worked extremely well and has served the purpose for which it is intended. With the consensus estimating process we have what I see as a classic case of "if it is not broken, don't fix it." Second, limiting the Governor's budget to expenditures that equal estimates of revenues under current law deprives him of the ability to fulfill the responsibilities for which he was elected and will lead to artificial budgets that are of limited utility.

RE: PROPOSAL NO. 55 - GENERAL FUND APPROPRIATIONS

This proposal related to the desirability of establishing procedures for determining and limiting the total amount of state general fund appropriations during any legislative session.

After consideration of material prepared by the staff on present state budgetary procedures and on limitations on the legislative appropriation process in selected states, the Committee focused its attention on revenue estimating. The Committee concluded that it would be desirable to eliminate, insofar as possible, controversies between the executive and legislative branches over general fund revenue estimates and to establish a procedure whereby revised estimates for the current fiscal year and new estimates for the ensuing fiscal year would be made available to both the Governor and legislators in December of each year so that the estimates could be used for planning purposes before the legislature convenes.

As a means of accomplishing those objectives, the Committee has requested executive agencies (particularly the Division of the Budget and the Department of Revenue) and the Legislative Research Department to cooperate in the preparation of general fund revenue estimates by freely exchanging information relative thereto and by attempting to develop consensus estimates in December of each year, beginning in 1974. Then the estimates should be made available to the Governor, legislative leaders of both parties, and to other legislators upon request. If a consensus was not possible, the executive staff and legislative staff estimates should be reported separately. The executive and legislative staffs also should jointly review the estimates periodically, especially during legislative sessions, to determine whether more recent

economic information or revenue trends warrant revision of the estimates.

Respectfully submitted,

December 4, 1974

Sen. Robert Bennett, *Chairman*  
Legislative Budget Committee

*Rep. Duane (Pete) McGill,*  
*Vice-Chairman*  
*Rep. Clyde Hill*  
*Rep. Wendell Lady*

*Rep. Pete Loux*  
*Sen. Ross Doyen*  
*Sen. Jack Steineger*



TOPEKA

HOUSE OF  
REPRESENTATIVES

February 16, 1983

TESTIMONY ON HB 2290 BEFORE WAYS AND MEANS

Mr. Chairman, and members of the committee. Thank you for this opportunity to speak before you today.

HB 2290 is the Governor's proposal for Highway Funding. The important parts of this proposal are that first, it provides for increased funding for state and local highways without any additional tax levies and secondly, it continues the principle of user-related financing. It is important to think about the long-range flexibility of the motor fuels tax. I believe it is generally accepted that the motor fuels tax alone is not in the best interest of the State of Kansas and the future financing of this state's roads and highways.

What exactly does this bill propose to do? First, it provides for a phased-in transfer of retail sales tax receipts from the sale of new and used motor vehicles, parts, accessories, and services from the State General Fund to the Highway Fund. Second, this bill recommends a phased-in transfer of funds currently in the Freeway Fund. The sales tax transfer is over 4 years at a rate of 25% a year. The Freeway Fund transfer is over 3 years at a rate of \$50 million in FY '84; \$40 million in FY '85; and \$20 million in FY '86, for a total transfer of \$110 million. A chart outlining these

Atch. IV

numbers is in your FY '84 Legislative Research Budget Analysis Book on page 1-11.

Estimates of needs have ranged between \$152 million and in excess of \$250 million. After the applications of federal funds, the needs are \$110 to \$215 million for non-interstate roads and bridges.

HB 2290 provides an additional \$211.3 million over a 4 year period for state and local road, street and bridge improvements. In addition, HB 2290 makes available \$110 million in fuel tax monies (fuel tax plus the interest it earned) to be used statewide. This transfer does not jeopardize the debt servicing.

I believe sincerely that this bill is the best way to go. One has to ask the question: "Why raise fuel tax when fuel tax money is already available?" Another question is where should monies, other than fuel tax monies, come from. While there has been some debate about the use of state general fund money, the Leadership in the House has agreed to this in principle, when they suggested the earmarking of state general fund receipts resulting from severance tax collections. Because we do not know what the revenues from the severance tax will be, I believe the more responsible route is HB 2290 for two reasons. First, we maintain our commitment to user-related funding. Second, we know what the revenues are in HB 2290. We know that in FY '84, \$21.1 million in sales tax will be transferred to the Highway Fund. We do not know what 1/3 of the severance tax receipts will be.



Finally: "Why wait on fuel tax collections and severance tax collections to come in and delay construction when jobs and improvements on our roads and highways could begin immediately under HB 2290?"

Thank you, Mr. Chairman. I believe that I will close with those questions and allow for the experts to handle the detailed questions you may have.

STATE OF KANSAS



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OFFICE OF THE GOVERNOR  
State Capitol  
Topeka 66612

John Carlin Governor

Testimony To  
House Ways and Means  
By  
Stephen E. Holsteen

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to testify before you today on House Bill No. 2290, the Governor's proposal for funding our state and local transportation programs.

Under the current highway revenue structure which relies heavily upon motor fuels taxes, the gap between revenues and costs of maintaining the current network will continue to grow. It is time that we look to a new revenue measure to fund our highway program.

To provide the additional revenues necessary to allow the state and local units of government to preserve the basic transportation system, the Governor renews his recommendation that the existing state sales tax on motor vehicles, parts, supplies and services be transferred from the State General Fund to the State Highway Fund. Due to the unprecedented current shortfalls in State General Fund receipts, however, the Governor's proposal provides for the phase-in of the sales tax transfer in equal installments over a four-year period. Based upon current estimates, the transfer will provide an additional \$21.1 million in highway funding in fiscal year 1984, rising to \$84.5 million by fiscal year 1987.

Moreover, in order to provide an adequate highway funding program which will meet our needs, over the next three fiscal years, the Governor recommends that \$110 million in funding, currently dedicated to the State Freeway program, be released over a three-year period for use statewide as priorities dictate. The amounts programmed for release from the State Freeway Fund will provide for a balanced improvement program over the period in which the sales tax transfer is being fully implemented.

Additionally, the Governor recommends that the new highway money be distributed according to the current formula of 35 percent to the local units of government and 65 percent to the State. Since monies deposited in the Freeway Fund have already been split with local units, the local split would be limited to no more than the amount of the sales tax transferred from the State General Fund to the State Highway Fund in any one year.

Atch. V

The four-year proposal is shown below (in constant fiscal year 1984 dollars):

(Millions of Dollars)

<u>Source of Funding</u>	<u>FY 1984</u>	<u>FY 1985</u>	<u>FY 1986</u>	<u>FY 1987</u>
Sales Tax Transfer	\$21.1	\$42.3	\$63.4	\$84.5
Freeway Funds Release	<u>50.0</u>	<u>40.0</u>	<u>20.0</u>	<u>-</u>
Total	\$71.1	\$82.3	\$83.4	\$84.5
<u>Distribution of Funds</u>				
State	\$50.0	\$53.5	\$54.2	\$54.9
Local	<u>21.1</u>	<u>28.8</u>	<u>29.2</u>	<u>29.6</u>
Total	\$71.1	\$82.3	\$83.4	\$84.5

The Governor's proposal is a sound one. An analysis by the Division of Budget indicates that with a modest growth in State revenues, the General Fund will be able to withstand the \$84.5 million transfer. This transfer will be made possible by passage of a fair and reasonable severance tax.

The Freeway Fund transfer of \$110 million over three years is possible without jeopardizing the ability of the Freeway Fund to meet debt service requirements and we will still be able to complete all Freeway Fund projects which are currently programmed. Though the five "Candidate Projects" will be removed from consideration as freeway funded projects and will instead compete with other state projects on a system-wide priority basis, it appears likely, under the Governor's proposal, that contracts for these five projects will be let in three to five years. These projects would not be let any sooner, even if they were completed using freeway program funds.

Moreover, the transfer of monies from the Freeway Fund to the Highway Fund in no way violates any bond covenants.

The Governor's highway funding proposal is based on the following premises:

1. An adequate long-term funding plan must be established by the 1983 Legislature to respond to the pavement preservation backlog and to allow for the orderly development of road and bridge projects.
2. The Department of Transportation must have maximum flexibility to use existing state highway resources as statewide priorities dictate in the current fiscal crunch.

3. Transportation funding should continue from user related revenues and should, to the extent possible, contain reasonable prospects for growth on a year to year basis.
4. Sufficient state resources must be provided to match available federal funds.
5. The State should continue to share any additional fiscal resources with local units of government.

These are premises which we feel must underlie any proposal for highway funding if it is to be acceptable and this is why the Governor feels strongly that his proposal is a sound one.

Let us look for just a moment at some comparisons of the Governor's proposal to another proposal which has received some attention, a 2¢ motor fuels tax.

As can be seen from the charts, a highway program composed of a 2¢ gasoline tax would provide just enough money for the State to match the new federal dollars and the tax would provide no funds for local units of government. Moreover, our program would simply be a reflection of federal priorities and those priorities emphasize interstate system, which is only a small portion of the State's entire network of highways.

A highway funding proposal is also important to the economic development of our State. Many studies have shown that the states with well-preserved infra structures are the states which will be best able to attract industry. Moreover, at a time of record unemployment, the immediate infusion of money into a highway construction program will not only provide jobs, but will pump money into our State's economy which will have a positive impact many times over.

Mr. Chairman, in conclusion, the Governor's highway funding proposal is a fair, achievable plan which will adequately address our State's needs and provide for a long-term funding plan. I urge the Committee's adoption of House Bill No. 2290.

216 West Seventh  
P.O. Box 477  
Topeka, Kansas 66601  
913-233-1867

February 16, 1983

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Golden Belt  
Larry Thompson, P.E.  
Ellinwood

Hutchinson  
Gale Maddy, P.E.  
Hutchinson

Northwest  
Tom McCormick, P.E.  
Hays

Smoky Valley  
Maurice Bowersox, P.E.  
Assaria

Southeastern  
Michael Conduff, P.E.  
Pittsburg

Southwestern  
Robert Johnson, P.E.  
Liberal

Topeka  
Gary Shofner, P.E.  
Topeka

Tri Valley  
Stanley Clark, P.E.  
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HOUSE WAYS AND MEANS COMMITTEE  
TESTIMONY RE: HB 2290

Mr. Chairman, members of the committee, I am Charlie Stryker, Chairman of the Kansas Engineering Society's Highway Task Force, appearing before you today on behalf of the Society in regards to HB 2290.

As some of you may know, for the past two years the Kansas Engineering Society has devoted a significant amount of study to the condition of this state's roads and bridges.

This year our committee was delayed in updating its task force report on highway needs due to the changes brought about in federal funding due to the passage of the 1982 Surface Transportation Act.

Our report is now finished and is in the process of being printed. A brief summary of our findings and recommendation is included in the handouts we have distributed to you this afternoon.

Based upon that position summary we wish to make the following comments on HB 2290.

1. It is our position that the Legislature should consider all potential resources for funding our needs which we estimate to amount to \$282 million for FY 1984. The major qualification we feel in considering a resource is whether that resource may be depended upon to provide regular and steady income for the state not only this year but in the future. Therefore we favor HB 2290 as one alternative funding device that could provide immediate funding for our state system. It is not in our view the total answer. Nor do we believe it is a long-range solution to our highway needs.

2. The proposed transfer of \$110 million from the State Freeway Fund is a short-term response to highway needs but it does represent a solid resource that could provide \$50 million for FY 1984; \$40 million for FY 1985 and \$20 million in FY 1986. These are definite funds we can depend upon being available.

3. KES particularly supports the proposed transfer of vehicle related sales tax revenue from the general fund to the Highway Fund proposed in HB 2290. We realize the delicate nature of our general fund and we agree with many of you that any long-term solution to highway funding will require new funds. The proposed phase-in is a responsible approach to meeting the long-term financing needs and is also a resource that can be depended on in the future for steady funding.

In summary KES supports HB 2290 as one option for funding our highway needs. We must add however that as we appear here today to support this bill as one alternative you can be assured you will see us here again to support a hike in the gallonage fuels tax or any other alternative source of income that would provide a steady and dependable fund for repair of this state's deteriorating road system.

Respectfully Submitted,

Charles Stryker, Chairman  
Highway Task Force  
Kansas Engineering Society

## HIGHWAY NEEDS AND RESOURCES

The Kansas Engineering Society (KES) has focused a great deal of its efforts in recent years studying the needs of the State of Kansas in the area of highway transportation. This recognition has lead KES members to speak out in support of several needed programs created by the Kansas Legislature and implemented by the Kansas Department of Transportation, the counties, townships and cities of the state.

The problem, as if it needs to be repeated, is that the state has a deteriorating road and street system with rising construction and maintenance costs and decreasing revenues to support those costs.

The Society has devoted much of its time in recent years to itemize and locate the supporting data to show that breakdown and deterioration of our road and street system. With the 1983 Legislature at hand KES realizes there is no longer the dominant need to educate. The Executive Branch and the Legislative Branch realize that something must be done immediately to rehabilitate our highway system, both statewide and locally in our cities and counties.

The key question to be answered now by the Legislature is to determine what additional state revenue is needed to meet the demands for fiscal improvements on our roads within the state. The following graph sets out what additional state revenue is needed to meet these needs:

<u>Additional State Revenue Needed</u>	<u>83</u>	<u>84</u>	<u>85</u>	<u>86</u>	<u>Est. for future year</u>
		Million of dollars ('83)			
a. Non Interstate Needs/ Year for a 20 year period	228.0	228.0	228.0	228.0	228.0
b. Federal Funds Available	52.1	56.5	61.0	68.1	68.1
c. Available State Match	<u>6.8</u>	<u>6.8</u>	<u>6.8</u>	<u>6.8</u>	<u>6.8</u>
Subtotal Add. Revenue Needs	169.1	164.7	160.2	153.1	153.1
d. Revenue Needed to Match all Federal Aid	<u>13.7</u>	<u>15.5</u>	<u>17.7</u>	<u>20.1</u>	<u>20.1</u>
	182.8	180.2	177.9	173.2	173.2
e. City/County Needs	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
	282.8	280.2	277.9	273.2	273.2

As can be seen from the above breakdown of needs the funding requirements on a short term basis for the Kansas Highway System including state, county, township and city roads and bridges has been estimated at just under 300 million dollars per year.

KES recognizes the state's fiscal condition as it exists today. However if we do not increase our highway funding the cost is going to rise more and more each year to replace the system as it deteriorates at a rapidly increasing rate.

*Atch. VIII*

## HIGHWAY NEEDS AND RESOURCES

The question of where the financing should come for these areas of course must be determined by the Legislature in consultation with the Governor. There have been disagreements in the past over what is the proper financing method to obtain the necessary resources to halt the deterioration of our highway transportation system. The state can no longer afford further disagreement in this area. The need must be met and it must be met beginning now. The Kansas Engineering Society has traditionally supported users fees as the source of funding for the highway needs of Kansas. However it is clear to the Engineering Society that all potential resources for meeting the needs must be considered. The only qualification therefore that KES would place then on funding options is that whatever funding sources are tapped they should be sources that may be depended upon to provide regular and steady resources for the State of Kansas not only in this year but in the future.



Statement on HB 2290--Highway Finance  
To House Committee on Ways and Means  
By E.A. Mosher, Executive Director, League of Kansas Municipalities  
February 16, 1983

My name is E.A. Mosher, Executive Director of the League of Kansas Municipalities, appearing in general support of HB 2290. I use the term "general support", since the bottom line result of the bill is to provide additional highway finance revenue for cities, which is our highest legislative priority. However, we do not have a formal position on the proposed freeway fund transfer. We are in support, by city convention action, of the transfer of all or a portion of the revenue from the state sales tax on motor vehicles, parts, accessories and services from the state general fund for use for highway purposes.

We believe that the need for additional revenue for local highways, roads and streets has reached critical proportions, for a lot of reasons. These include the rising cost of highway construction and maintenance during the past decade, the property tax lid and pressures against greater use of property taxes and special assessments for street purposes, the increasing cost of borrowing to finance highway improvements, the declining ratio of motor fuel taxes to cost per gallon even with the recent price reductions, the absence of fuel tax revenue growth from the existing tax system--to say nothing about the growing number of potholes in the streets. It is our appraisal that we are going backwards--that we are deferring maintenance costs to the future, and that we are passing on to the future a less adequate system of transportation than we inherited.

While the highway finance package proposed by HB 2290 is significant, we suggest in fact is only reasonably adequate. Our city convention action is in support of a state-local highway finance program in the range of \$100 million. The local share under HB 2290 would vary from an estimated \$21.1 million in FY 1984 to \$29.6 million in FY 1987. The direct city share of the special city and county highway fund is 43%. As a result, the estimated city share varies from \$9.1 million to \$12.7 million. On a per capita basis, this amounts to a low of about \$4.92 in FY 1984 to a high of about \$6.90 per capita in FY 1987. Again, we observe that this is significant. But we would also note that estimated additional highway revenue needs for cities only, and only for maintenance purposes, is about \$25 million annually, in addition to all present sources. This is equivalent to more than \$13 per capita, and excludes the cost of construction and major reconstruction.

In conclusion, let me note that while the bottom line amount of state aid for local units under HB 2290 may fall short of local needs, it is a very major step in the right direction. We estimate that state highway aid payments to cities this calendar year will be less than the amount actually received in 1978. Even with the recently reduced rate of inflation, we are going backwards in purchasing power. We think something must be done, and done this session.

Atch. VIII

February 16, 1983

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to testify before you today on House Bill No. 2290, the Governor's proposal for funding our state and local highway programs.

In 1982, the Federal Highway Administration developed figures projecting the number of jobs created for each billion dollars of highway revenue generated. Those figures were used by U.S. DOT Secretary Drew Lewis in his campaign for a 5¢ increase in the federal gas tax. They are based on 1981 data and apply across all construction types. When the national average is adjusted for Kansas wage rates, for every million dollars of new highway revenue, approximately 30 jobs would be created.

If no new money is provided by the 1983 Legislature, the highway program for FY 1984 would be approximately \$127.8 million. That level would be obtained by leveraging approximately \$8.3 million in highway funds against approximately \$71.6 million in federal-aid, and spending approximately \$47.9 in Freeway Funds. The result in jobs would be 1,457 directly related to the improvement program and 2,389 indirectly related - a total of 3,846 jobs.

The Governor's highway funding program would provide an additional \$83.5 million in highway improvements at the state level, creating an additional 952 jobs directly related to the improvements and 1,561 indirectly related, or a total of 2,513 additional jobs in FY 1984 alone--at the state level.

An additional 635 jobs could be created at the local level as a result of the additional \$21.1 million allocated in the Governor's program for FY 1984. Thus, 3,148 total new jobs could result for FY 1984 as a result of the Governor's program.

Thank you, Mister Chairman. We urge your concurrence in H.B. 2290.

Respectfully submitted,

Ralph McGee, Executive Secretary  
Kansas State Federation of Labor, AFL-CIO

opeiu #320, afl-cio

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