

Approved 2-11-85  
Date

MINUTES OF THE House COMMITTEE ON Ways and Means

The meeting was called to order by Bill Bunten at  
Chairperson

1:30 ~~xxx~~ p.m. on Tuesday, February 5, 1985 in room 514-S of the Capitol.

All members were present except:

Committee staff present: Gloria Timmer, Legislative Research  
Laura Howard, Legislative Research  
Jim Wilson, Office of the Revisor  
Sharon Schwartz, Administrative Assistant  
Nadine Young, Committee Secretary

Conferees appearing before the committee:

Glen Coulter, Manager-Kansas Contractors Association  
Charles Nicolay, Kansas Oil Marketers Association  
Michael O'Keefe, Department of Transportation  
Bill Graves, Secretary of State's Office

Chairman Bunten called the meeting to order at 1:30 p.m.

HB 2081 -- an act concerning the financing of highways; transfers from the state general fund to the state highway fund; amending K.S.A. 1984 Supp. 79-34,147 and repealing the existing section.

Chairman Bunten explained the bill which simply would change the transfer of funds from an "entitlement" to an "appropriation". Legislature would review the highway program and make a determination as to whether or not the money is needed and whether it can be afforded. After considerable discussion, Chairman announced that he only wanted discussion on the bill today and would let it sit for a while.

Glen Coulter testified in opposition to the bill. He requested that the legislature not change the formula contained in the bill that was passed in 1984.

Charles Nicolay also testified on behalf of Oil Marketers Association. He stated that his group opposes this concept. His association was a part of the coalition that funded the group which worked in support of HB 2566 that was passed two years ago. He said there is not enough fuel consumption to support the amount of highways needed.

Michael O'Keefe appeared before the committee and presented a written document (Attachment II) which is a summary of how the Department of Transportation presently manages the cash resources provided by current law.

Chairman turned to HB 2085 -- an act relating to the Kansas Statutes Annotated; concerning the distribution thereof to members of the legislature; amending K.S.A. 77-138, 77-151 and 77-165 and repealing the existing section.

Representative Duncan explained the bill, which would change the current policy on distribution of KSAs to members of the legislature from two (2) complete sets per year to two (2) sets when elected, plus all supplements and update volumes necessary to keep the two sets up to date as long as the member serves in the Legislature. Savings would be \$232,200 over a 4-year period.

There was discussion concerning distribution to various office, libraries and law students, outside the Legislature. Mr. Duncan said this is ok with him, but he opposes the method. He feels this item should be budgeted by the office or agency requesting the books.

Bill Graves, from Secretary of State's office, addressed the committee to state their position. He pointed out that his office is only charged with the distribution of the books. He said that in talking to Arden Ensley, that perhaps the most significant savings might be realized at the time when he does not have to reprint.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Ways and Means,  
room 514-S, Statehouse, at 1:30 ~~am~~/p.m. on Tuesday, February 5, 1985

Representative Duncan clarified that his bill only addresses that portion that pertains to distribution to Legislators, and added that the legislator's name will not be imprinted on the books except at his specific request.

Representative Rolfs moved that HB 2085 be amended to change the policy from (1) set to every standing committee to the number of sets necessary for each committee room, as certified by the Director of Administrative Legislative services. Representative Hoy seconded and the motion carried.

Representative Duncan moved that HB 2085, as amended, be recommended favorably for passage. Seconded by Representative Hoy. Motion carried.

Representative Guldner presented the subcommittee's report on HR 6010 and HR 6011 (Attachment III). His subcommittee is recommending that a legislative budget committee be set up to consider these expenditures in future years. He also stated there were four proponents to the bill and no opponents.

Chairman instructed the committee to study the draft and report back to the subcommittee chairman with any suggestions. Committee took no action on HR 6010 and HR 6011.

Next meeting is scheduled for Wednesday, February 6.

Meeting adjourned at 3:00 p.m.



# Kansas Department of Transportation

FEBRUARY 5, 1985

MEMORANDUM TO: HOUSE WAYS & MEANS COMMITTEE  
FROM: MICHAEL F. O'KEEFE  
DEPARTMENT OF TRANSPORTATION  
REFERENCE: HOUSE BILL 2081

## INTRODUCTION

HOUSE BILL 2081 AMENDS 1983 HIGHWAY FINANCE BILL TO REMOVE THE AUTOMATIC TRANSFER OF THE SALES TAX ON MOTOR VEHICLES TO THE STATE HIGHWAY FUND. IT SUBSTITUTES, INSTEAD, A LEGISLATIVE TRANSFER OF AN UNKNOWN AMOUNT.

1983 HOUSE BILL 2566 PROVIDED THAT PART OF THE SALES TAX ON NEW AND USED MOTOR VEHICLES WOULD GO TO THE HIGHWAY FUND. THESE RECEIPTS ARE TRANSFERRED DAILY FROM THE STATE GENERAL FUND TO THE STATE HIGHWAY FUND BASED UPON A PERCENTAGE DETERMINED AS THE RATIO OF THE SALES TAX ON THESE VEHICLES TO THE TOTAL SALES TAX RECEIPTS. THE PERCENTAGE WAS CALCULATED AT 9.19 PERCENT DURING THE 1983 LEGISLATIVE SESSION. THE AMOUNT OF THE TRANSFER BEGAN AT  $\frac{5}{42}$  OF THAT PERCENT IN FY 1985 AND INCREASES INCREMENTALLY BY  $\frac{5}{42}$  PER YEAR UNTIL IT REACHES  $\frac{30}{42}$  OF THE TOTAL IN FY 1989. IT THEN REMAINS AT  $\frac{30}{42}$ .

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II

HOUSE BILL 2081 REMOVES THE KNOWN TRANSFER AND SUBSTITUTES AN ANNUAL TRANSFER TO BE DETERMINED BY THE LEGISLATURE. THE NET EFFECT OF THE BILL IS TO REMOVE A STABLE LONG TERM FUNDING SOURCE THAT WAS PART OF THE COMPROMISE PACKAGE IN 1983. THAT LOSS THREATENS THE EFFICIENT USE OF TRANSPORTATION RESOURCES, BOTH STATE AND LOCAL.

### STABLE FUNDING

A STABLE FUNDING SOURCE ALLOWS THE KANSAS DEPARTMENT OF TRANSPORTATION TO PROGRAM PROJECTS WITH A REASONABLE DEGREE OF CERTAINTY THAT THOSE PROJECTS WILL BE COMPLETED. BY STABLE, I MEAN, A REVENUE PACKAGE THAT, IN THE AGGREGATE, CAN BE ESTIMATED, IS INFLATION SENSITIVE, AND WHOSE TREND LINE IS REASONABLY SMOOTH. STABLE FUNDING ALLOWS MULTI-YEAR PROGRAMMING.

A MULTI-YEAR PROGRAM ALLOWS CITIES AND COUNTIES TO KNOW WHAT PROJECTS THE DEPARTMENT WILL BE WORKING ON DURING THE PERIOD. THERE COULD BE CASES WHERE A CITY OR A COUNTY MAKES AN IMPROVEMENT ON A FACILITY THAT WE THEN NEED TO USE AS A DETOUR ONE YEAR LATER. THE RESULT WOULD BE THAT THE NEWLY IMPROVED ROADS ARE TORN UP AND HAVE TO BE REDONE WHEN OUR PROJECT IS COMPLETED. WITH LONG TERM PROGRAMMING, OUR PROJECTS ARE KNOWN FIVE YEARS IN ADVANCE, AND COORDINATION BETWEEN UNITS OF GOVERNMENT CAN BE ACHIEVED.

ON THE STATE LEVEL, LONG TERM PROGRAMMING DOES A NUMBER OF THINGS:

1. DESIGN FORCES ARE KEPT TO A MINIMUM LEVEL BY USING CONSULTANTS TO AUGMENT THEM. PLANNING FOR CONSULTANT USE IS BASED UPON KNOWLEDGE OF WORKLOAD FOR PROJECTS THAT OFTEN TAKE THREE TO FIVE YEARS FOR DEVELOPMENT.
2. PLACEMENT OF CONSTRUCTION FORCES THROUGH ATTRITION REQUIRES LONG TERM PLANNING. KNOWLEDGE OF PROJECT LOCATIONS ALLOWS SUCH PLANNING TO OCCUR AND PREVENTS THE OPTION OF EXPENSIVE TRAVEL COSTS AND UPROOTING OF EMPLOYEES.
3. MAINTENANCE ACTIVITY ALSO REQUIRES PLANNING. IT IS DESIRABLE NOT TO PERFORM MAINTENANCE ON SECTIONS THAT WOULD RECEIVE A MAJOR TREATMENT IMMEDIATELY THEREAFTER. KNOWLEDGE OF LONG TERM IMPROVEMENTS ALLOWS OUR MAINTENANCE FORCES TO PROGRAM THEIR WORK FOR EFFICIENT MAINTENANCE ACTION, AND INSURES THAT SECTIONS NOT PROGRAMMED FOR PROJECTS IN THE 5-YEAR PERIOD RECEIVE MAINTENANCE ACTION.
4. FUND MAXIMIZATION. FUNDS SHOULD NOT BE IDLE - PROJECTS SHOULD BE PROGRAMMED ON THE BASIS OF CASH MANAGEMENT. THE EASIEST WAY TO MANAGE OUR FUNDS IS TO SIMPLY TREAT ALL PROJECTS AS ENCUMBRANCES WHEN THE CONTRACTS ARE

AWARDED. THESE ENCUMBRANCES MINUS OUR REVENUES WOULD BE THE UNOBLIGATED BALANCES WHICH APPEAR IN OUR BUDGET DOCUMENT.

THIS IS NOT THE MOST EFFICIENT USE OF OUR FUNDS. HOWEVER, IT LEAVES LARGE BALANCES OF IDLE FUNDS THAT COULD BE USED MORE PRODUCTIVELY. INSTEAD, WE PROGRAM ON THE BASIS OF CASH NEEDS. PROJECTS ARE PROGRAMMED TO USE ALL AVAILABLE REVENUE AT THE TIME THE REVENUES ARE ACTUALLY NEEDED. THE CURRENT FIVE YEAR PROGRAM (FY 1985-89) IS BASED UPON ANTICIPATED RECEIPTS THROUGH FY 1991. FY 1990 AND 1991 RECEIPTS PROVIDE THE CASH NEEDED TO MAKE PROJECT PAYMENTS ON MANY OF OUR FY 1988 AND FY 1989 PROJECTS.

#### HB 2081

WE PREFER LONG TERM, STABLE FUNDING FOR THE REASON THAT THE LACK OF IT LEADS TO INEFFICIENT AND WASTEFUL PROGRAMMING. OUR CURRENT 5 YEAR PROGRAM IS PARTIALLY BASED UPON \$199 MILLION OF SALES TAX ON MOTOR VEHICLES. THE LOSS OF ANY OR ALL OF IT TRANSLATES DIRECTLY INTO LOSSES OF CAPITAL IMPROVEMENT PROJECTS ON THE STATE SYSTEM.

I HAVE ATTACHED TWO TABLES THAT SHOW THE DIFFERENCE QUITE DRAMATICALLY. THE FIRST TABLE SHOWS OUR CASH ANALYSIS OF THE CURRENT FIVE YEAR PROGRAM. THE SECOND ASSUMES THAT THERE ARE NO

SALES TAX TRANSFER RECEIPTS AFTER FY 1985. I WOULD LIKE TO TAKE THE OPPORTUNITY TO QUICKLY REVIEW THESE TABLES WITH YOU BEGINNING WITH THE SECTION TITLED "STATE SOURCE RECEIPTS" IN TABLE 1.

STATE SOURCE RECEIPTS ARE THE ESTIMATED RECEIPTS FROM STATE SOURCES TO THE HIGHWAY FUND.

NET OPERATING EXPENDITURES INCLUDES EXPENDITURES FOR MAINTENANCE, DESIGN, CONSTRUCTION INSPECTION, MATERIALS TESTING AND RESEARCH, RIGHT-OF-WAY, TRAFFIC ENGINEERING, LOCAL ASSISTANCE, PLANNING, LEGAL AND ADMINISTRATIVE SUPPORT AND THE FEDERAL AID REIMBURSEMENT FOR THE EXPENDITURES. MANY OF THE ACTIVITIES ARE FEDERAL PARTICIPATING. FOR EXAMPLE, ONE AND A HALF PERCENT OF ALL FEDERAL CONSTRUCTION FUNDS MUST BE SPENT FOR PLANNING AND RESEARCH. ALSO INCLUDED ARE OUR ACTIVITIES IN RAIL, SAFETY, TRANSIT, AND AVIATION, MOST OF WHICH ARE ALSO FEDERAL PARTICIPATING. SOME ACTIVITIES, HOWEVER, SUCH AS ALL OF OUR MAINTENANCE, ARE NOT FEDERAL PARTICIPATING.

CAPITAL IMPROVEMENTS - PRIOR YEARS SHOWS THE LIQUIDATION OF CAPITAL IMPROVEMENT PROJECTS THAT WE LET TO CONTRACT IN PRIOR YEARS. FEDERAL AID CONSTRUCTION FUNDS, WHICH ARE PAID TO US ON A REIMBURSEMENT BASIS, ARE SHOWN AS WELL. AS A CONTRACTOR COMPLETES PART OF A PROJECT, WE MAKE A PROJECT PAYMENT AND BILL THE FEDERAL GOVERNMENT. WE ARE THEN REIMBURSED THE APPROPRIATE PERCENTAGE OF THAT PAYMENT. YOU CAN SEE THAT THE LAST OF THE PROJECTS LET TO CONTRACT PRIOR TO THE CURRENT FIVE YEAR PROGRAM WILL PAY OUT IN FY 1986.



CAPITAL IMPROVEMENTS - CURRENT SHOWS THE CAPITAL IMPROVEMENTS IN THE CURRENT 5-YEAR PROGRAM AND THE FEDERAL REIMBURSEMENTS. THESE ROWS REFLECT OUR EFFORT TO PROGRAM ALL ESTIMATED FUNDS ON A CASH BASIS, KEEPING A MINIMUM HIGHWAY FUND BALANCE. THE PROGRAMMABLE CASH IS THE BALANCE OF THE BEGINNING BALANCE, STATE SOURCES, NET OPERATING EXPENDITURES, AND CAPITAL IMPROVEMENT - PRIOR YEARS ENTRIES.

THE FINAL ROW SHOWS THE ENDING CASH BALANCE AS A RESULT OF THE PROGRAM. THESE ARE HIGH IN THE EARLY YEAR, BUT DECREASE RAPIDLY TO \$17 MILLION FY 1990. (WE CONSIDER AN AVERAGE BALANCE OF \$20 MILLION TO BE NECESSARY.)

TABLE 2 ASSUMES NO SALES TAX ON MOTOR VEHICLES WITH THE SAME HIGHWAY PROGRAM. CASH BALANCES BECOME NEGATIVE IN FY 1988. THE HIGHWAY PROGRAM WOULD HAVE TO BE ADJUSTED BY THE AMOUNT OF THE SALES TAX REVENUE TO RESTORE THE BALANCES SHOWN ON TABLE 1.

## SUMMARY

I THANK YOU FOR YOUR PATIENCE AND HOPE THAT MY PRESENTATION HAS GIVEN YOU A BETTER UNDERSTANDING OF HOW THE KANSAS DEPARTMENT OF TRANSPORTATION MANAGES THE CASH RESOURCES YOU PROVIDE US. CHANGES TO THOSE RESOURCES RESULTS IN CHANGES TO OUR PROGRAM. IF FUNDS ARE DECREASED, WE MUST REMOVE PROJECTS ON THE BASIS ON THEIR ENTRY INTO THE PROGRAM FROM OUR PRIORITY OPTIMIZATION

SYSTEM. THAT IS, LAST IN - FIRST OUT. THE REVERSE IS ALSO TRUE.  
IF ADDITIONAL FUNDS BECOME AVAILABLE, ADDITIONAL PROJECTS WILL BE  
PROGRAMMED FROM OUR PRIORITY OPTIMIZATION SYSTEM.

I WOULD BE PEASED TO ANSWER YOUR QUESTIONS.

INDEX 1989  
 PAYOUTS 1983 THROUGH 1989  
 PROGRAM AS OF 06-08-84

UPDATED: 05-Feb-85

TABLE 1  
 STATE HIGHWAY FUND  
 CASH BALANCE PROJECTION  
 SUMMARY  
 (\$1,000)

	FY 1984	FY 1985	FY 1986	FY 1987	FY 1988	FY 1989	FY 1990	FY 1991	TOTAL
BEGINNING BALANCE	41,551	102,566	99,051	80,145	59,867	43,751	30,917	17,137	
STATE SOURCE RECEIPTS									
Motor Fuel	66,000	70,200	69,000	67,200	67,100	76,200	76,500	76,800	569,000
Registration Fees	67,500	68,000	68,000	68,000	68,000	68,000	68,500	68,500	544,500
Miscellaneous Revenue	4,900	4,600	4,600	4,600	4,600	4,600	4,600	4,600	37,100
SGF (Sales Tax) Transfer	5,100	11,000	17,000	24,000	32,000	40,000	42,000	44,000	215,100
Freeway Fund Transfer	40,000	20,000	5,000						65,000
Maintenance Transfer	6,500	7,044	7,363	7,755	8,189	8,660	9,186	9,759	64,456
Construction Transfer	21,000	4,600	2,500	2,800	2,500	1,100	500		35,000
Net Statutory Transfers	(26,679)	(14,381)	(15,868)	(17,172)	(18,291)	(19,513)	(20,874)	(22,364)	(155,142)
Net Revenue State Sources	184,321	171,063	157,595	157,183	164,098	179,047	180,412	181,295	1,375,014
NET STATE OPERATING EXPENDITURES									
State Operating Expenditures	(117,194)	(127,008)	(132,559)	(139,536)	(147,278)	(155,708)	(165,096)	(175,649)	(1,160,028)
Federal Aid Reimbursements	20,018	21,562	23,360	19,222	17,115	19,240	12,836	4,047	137,400
Net State Operating Expenditures	(97,176)	(105,446)	(109,199)	(120,314)	(130,163)	(136,468)	(152,260)	(171,602)	(1,022,628)
CAPITAL IMPROVEMENTS-PRIOR YEARS									
Prior Years Expenditures	(54,448)	(14,938)	(2,400)						(71,786)
Federal Aid Reimbursements	43,170	12,878	2,124						58,172
Net-Prior Years Projects	(11,278)	(2,060)	(276)	0	0	0	0	0	(13,614)
CAPITAL IMPROVEMENTS-CURRENT									
Program Payouts	(35,550)	(176,532)	(213,243)	(167,486)	(137,153)	(154,887)	(134,910)	(7,743)	(1,027,504)
Federal Aid Reimbursements	20,698	109,460	146,217	110,339	87,102	99,474	92,978	5,475	
Net Current Program	(14,852)	(67,072)	(67,026)	(57,147)	(50,051)	(55,413)	(41,932)	(2,268)	
ENDING BALANCE	102,566	99,051	80,145	59,867	43,751	30,917	17,137	24,562	

INDEX 1989  
 PAYOUTS 1983 THROUGH 1989  
 PROGRAM AS OF 06-08-84

UPDATED: 05-Feb-85

TABLE 2  
 STATE HIGHWAY FUND  
 CASH BALANCE PROJECTION  
 SUMMARY  
 (\$1,000)

	FY 1984	FY 1985	FY 1986	FY 1987	FY 1988	FY 1989	FY 1990	FY 1991	TOTAL
BEGINNING BALANCE	41,551	102,566	99,051	63,145	18,867	(29,249)	(82,083)	(137,863)	
STATE SOURCE RECEIPTS									
Motor Fuel	66,000	70,200	69,000	67,200	67,100	76,200	76,500	76,800	569,000
Registration Fees	67,500	68,000	68,000	68,000	68,000	68,000	68,500	68,500	544,500
Miscellaneous Revenue	4,900	4,600	4,600	4,600	4,600	4,600	4,600	4,600	37,100
SGF (Sales Tax) Transfer	5,100	11,000							16,100
Freeway Fund Transfer	40,000	20,000	5,000						65,000
Maintenance Transfer	6,500	7,044	7,363	7,755	8,189	8,660	9,186	9,759	64,456
Construction Transfer	21,000	4,600	2,500	2,800	2,500	1,100	500		35,000
Net Statutory Transfers	(26,679)	(14,381)	(15,868)	(17,172)	(18,291)	(19,513)	(20,874)	(22,364)	(155,142)
Net Revenue State Sources	184,321	171,063	140,595	133,183	132,098	139,047	138,412	137,295	1,176,014
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CAPITAL IMPROVEMENTS-PRIOR YEARS									
Prior Years Expenditures	(54,448)	(14,938)	(2,400)						(71,786)
Federal Aid Reimbursements	43,170	12,878	2,124						58,172
Net-Prior Years Projects	(11,278)	(2,060)	(276)	0	0	0	0	0	(13,614)
CAPITAL IMPROVEMENTS-CURRENT									
Program Payouts	(35,550)	(176,532)	(213,243)	(167,486)	(137,153)	(154,887)	(134,910)	(7,743)	(1,027,504)
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Net Current Program	(14,852)	(67,072)	(67,026)	(57,147)	(50,051)	(55,413)	(41,932)	(2,268)	
ENDING BALANCE	102,566	99,051	63,145	18,867	(29,249)	(82,083)	(137,863)	(174,438)	

## Subcommittee Report

HOUSE CONCURRENT RESOLUTION NO. \_\_\_\_\_

For Consideration by Committee on Ways and Means

A CONCURRENT RESOLUTION concerning the state budget process; relating to consideration of appropriations and demand transfers from the state general fund for fiscal year 1986 and the desirability of utilizing a separate, legislatively developed budget.

WHEREAS, The state and national economic recovery has not yet improved the status of Kansas agriculture or those industries and small businesses which constitute the basis of the Kansas economy; and

WHEREAS, State government must be operated and budgeted for through the exercise of fiscal responsibility and restraint so that necessary governmental services are provided within existing fiscal resources insofar as possible; and

WHEREAS, Responsible consideration by the Legislature of proposed state expenditures through the legislative appropriations process requires careful review of budget requests and must of necessity include appropriate balancing of continuing or even expanding needs for governmental services and the availability of anticipated revenues; and

WHEREAS, The current budget process of an executive budget proposal and legislative consideration thereof is a complex and time-consuming process; and

WHEREAS, The time constraints inherent in the current executive budget process prevents the Committees on Ways and Means of the Senate and House of Representatives from addressing agency budgets and other fiscal problems in a timely fashion; and

WHEREAS, It would be in the best interests of the Legislature to consider developing a comprehensive, legislatively prepared budget, prior to or early in every legislative session, in which it could address the state's fund structure, financial condition,

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fiscal organization and the budget requests and proposals of state agencies: Now, therefore,

Be it resolved by the House of Representatives of the State of Kansas the Senate concurring therein: That the Legislature, in its consideration and action during the 1985 regular session on the proposed budget of expenditures for fiscal year 1986, should adopt as a goal that the total amount of appropriations and demand transfers from the state general fund approved by the Legislature for fiscal year 1986 for all state agencies shall not exceed the total amount of appropriations and demand transfers from the state general fund approved during the 1984 and 1985 regular sessions of the Legislature for fiscal year 1985 for all state agencies, by more than a percentage increase equal to the increase in the average U.S. average consumer price index for all urban consumers for calendar year 1984 over that for calendar year 1983; and

Be it further resolved: That, during its consideration and action during the 1985 regular session on the proposed budget of expenditures for fiscal year 1986, the Legislature should examine and determine the desirability of adopting changes in the current state budget process so that it incorporates and is based on a separate, legislatively developed budget.