

Approved April 15, 1988
Date

MINUTES OF THE House COMMITTEE ON Transportation

The meeting was called to order by Rex Crowell at
Chairperson

1:30 ~~xxx~~ p.m. on January 26, 1988 in room 519-S of the Capitol.

All members were present except: Representative Adam and Justice

Committee staff present:

Bruce Kinzie, Revisor of Statutes
Hank Avila, Legislative Research
Donna Mulligan, Committee Secretary

Conferees appearing before the committee:

Secretary Horace B. Edwards, Kansas Department of Transportation

The meeting was called to order by Chairman Crowell, and it was announced the main order of business was a presentation by Secretary of Transportation, Horace B. Edwards.

Mr. Horace B. Edwards, Secretary, Kansas Department of Transportation, provided the Committee with an update of major issues concerning KDOT. (See Attachment 1)

Secretary Edwards said that in the near future KDOT will not have sufficient funds to continue current construction and maintenance activities. He reported that during the 1987 Special Session it was projected that \$135 million would be received in Federal-Aid during Fiscal Year 1988. He stated since that time, Federal-Aid has been reduced twice and may be reduced a third time. It is now known that \$119 million is to be received in Federal-Aid, which is \$16 million less than originally projected.

Secretary Edwards said another change is the adjustment in the inflation rates used to compute construction costs, as during the Special Session an inflation rate of approximately 7 percent was used to compute construction costs and now current projections are for an inflation rate of 5.2 percent.

Secretary Edwards explained his recommendation for a new federal initiative involving the development of Regional Commercial Routes and that Kansas, with its neighboring states, be a key participant in the pilot illustration of this approach to a national program.

He added that these are multi-state routes which would compliment the Interstate System, and be selected based on an analysis of regional markets. He said projections are that the current Interstate will be completed in 1993, and in Kansas, it should be completed in 1991.

Discussion and questioning followed.

The meeting was adjourned at 2:45 p.m.


Rex Crowell, Chairman

Presentation to the House Transportation Committee
Secretary of Transportation Horace B. Edwards
January 26, 1988

Mr. Chairman, members of the Committee, I am pleased to provide this Committee with an update of the major issues underway at the Kansas Department of Transportation. I will discuss with you several issues and at the conclusion, I will be available to respond to any questions which you may have.

Fiscal Condition of the Agency

The overall direction and concern with the agency's fiscal condition remain the same as during the Special Session: in the near future the agency will not have sufficient funds to continue our current construction and maintenance activities.

Our ability to fully match our Federal-Aid is questionable and we are not able to respond to newly emerging road priorities like the Southeast Kansas highway or even improvements such as the Interstate 470/Interstate 70 interchange here in Topeka.

There have been several changes since the conclusion of the Special Session last September which affect the agency's financial condition. During the Special Session, we stated that without additional funds, the agency would have to delay or cancel construction projects in Fiscal Year 1989.

The shortfall we were facing to continue our current level of activity was substantial through the planning period of Fiscal Year 1988 to Fiscal Year 1996.

Since that time, several things have changed. During the Special Session we projected that in Fiscal Year 1988 we would receive \$135 million in Federal-Aid. Since that time, our Federal-Aid has been reduced twice and may be reduced a third time. We now know that we will receive \$119 million in Federal-Aid, \$16 million less than originally projected.

Another change is the adjustment in the inflation rates used to compute our construction costs. During the Special Session, we used an inflation rate of approximately 7 percent to compute our construction costs. Our current projections for inflation are 5.2 percent.

Further, the consensus revenue estimating team has also met since the Special Session and made modest adjustments in our revenue estimates.

We also make adjustments in our construction program yearly. Every year we have some projects scheduled to be let in one fiscal year, which must be moved to the next. Also, actual prices we get at bid lettings almost always vary from our estimated construction costs. These events change our financial projections from one planning period to the next.

Based on our latest calculations then, we will make reductions in our projected Fiscal Year 1989 program to ensure that we remain solvent. If we abandon our resurfacing program altogether, we can preserve sufficient funds to match Federal-Aid through 1996. The difference between the normal program and the one which we can afford without new revenue creates a shortfall through Fiscal Year 1996 of \$286 million.

This balancing act can be managed for about a year. Our current projections require a reduced resurfacing program in Fiscal Year 1989 and a severely reduced program by Fiscal Year 1990. Therefore, I have instructed the agency to reduce contracts by \$5 million for resurfacing projects to be let one year from this month.

I should emphasize that abandoning a resurfacing program will have serious consequences for our state's highways. We might be able to get through a couple of winters before the public is aware of the difference, but when the deferred maintenance comes due, it will come due with a vengeance.

It is tempting to want to provide sufficient funds only to take care of the agency's shortfall. Others will prefer the approach of providing funds for a program that only builds highway corridors. While it may be tempting to go either route, the agency believes it would be devastating to the people of Kansas if either occur. An appropriate highway program should take care of both needs.

Directives from the Legislature

Project Selection

Highway project selection methods, not only in Kansas but in other states and in the private sector, are usually controversial. This is to be understood. The decisions made have major impacts on the communities affected. Our own method has been questioned and often times criticized.

Last summer, the Special Committee on Transportation reiterated the Legislature's concern that economic development be addressed in our method of project selection and that we also expressed the desire to increase the priority for projects which pave and improve shoulders. These two concerns are in line with a concern that I had with our method of project selection.

The priority formula developed by the Department at the request of the Legislature is a good formula and an excellent method of project selection. But only for the types of projects for which it was specifically designed: that is, reconstruction of the rural state highway system. The formula cannot tell us where to build an interchange or if one project may be more important than another, especially for economic development.

We need additional project selection tools which can work in concert with those we already have. I believe the way to accomplish this goal is through optimization.

You may recall that when the Department developed the priority formula it also developed an optimization process and, in fact, the term priority optimization is still used.

Although optimization is highly desirable we have never been able to make it work, primarily because of certain technical problems. We believe we can now solve those problems. Therefore, we are in the process of pursuing the concept of optimization.

In our search for an optimization scheme, our current priority formula will play a large role, as will the recently developed pavement management system. However, we will need to develop a method of selecting economic development projects, as well as other goal specific projects.

Specifically for economic development my staff is working on a method, but will also request the assistance of Kansas Inc. Then, once projects are selected, the optimization process will determine what mix of projects should be built to meet the established goals.

This process will allow us to change in some appropriate fashion to changing circumstances.

Reflective Sheeting

Senate Bill 142 mandated that the Secretary of Transportation conduct a study on the use of reflectorized sheeting on state road signs. We have done so and the preliminary report is under review. The study concludes that "KDOT's current practice for the use of high performance sheeting for permanent signing is entirely appropriate given the benefits of the brighter sheeting."

Further, the report finds that "KDOT's current practice for use of high performance sheeting for construction zone devices is also . . . appropriate."

The study was conducted by Bellomo-McGee Inc., a professional services firm which specializes in traffic and transportation engineering, transportation planning and management services.

This study included a survey of the practices of the other 49 states and the District of Columbia, and an extensive review of the literature and most recent research available. The firm also reviewed a number of economic evaluation approaches and made a number of economic analyses regarding sheeting types prior to drawing these conclusions they've included in their preliminary report.

When the final report is complete, we will make it available to this committee and give a more detailed briefing on the findings.

Agency Initiatives

KDOT Management Study

I believe it is necessary for us to question and examine what we are doing and why, and to better prepare ourselves for the future -- be it a future of a shortage of funds or one with a major highway program. Consequently, the agency is currently selecting a consulting firm to help us conduct the management study.

I anticipate that the study will be completed by this August so that the results can be considered in our submission of next year's budget.

AASHTO Annual Meeting

As many of you may already be aware, the state was fortunate to be chosen as host state for this year's annual meeting of AASHTO, which is the American Association of State Highway and Transportation Officials.

The meeting will be December 2 through the 6 in Wichita. Planning is and has been underway for some time for the convention, which is expected to draw about 1,000 additional people to that city from all 50 states and from some of our adjoining international neighbors.

Multi-State Regional Commercial Routes

You've also heard about this next issue. Earlier this month, the Department hosted the Kansas 2020 Forum. This was one of the forums being held in every state in the nation to begin the discussion of what our national transportation policy should be once the Interstate System is completed.

At the 2020 Forum, I announced my recommendation for a new federal initiative. I am proposing the development of Regional Commercial Routes and that Kansas, with its neighboring states, be a key participant in the pilot illustration of this approach to a national program.

These are multi-state routes which would complement the Interstate System. These routes would be selected based on an analysis of regional markets.

By linking regional markets which are not currently tied, economic growth and prosperity would in fact be encouraged. It is appropriate for the federal government to assist in the development and financing of regional commercial routes - that is, filling in the gaps which have occurred as major markets have shifted and grown since the Interstate was developed.

Current projections are that the Interstate will be completed in 1993. In Kansas it should be completed in 1991. It is imperative that we act now if we are to have a chance at these funds.

I am working with our neighboring states to garner their support and on a recent trip to Washington, I met with members of our Congressional Delegation and staff. The Governor has invited members of the delegation to a meeting here on January 29 to further discuss the idea and to request their aggressive support.

Mr. Chairman, thank you for this opportunity and I would now try and respond to any questions you or members of the Committee might have.