

Approved August 4, 1989
Date

MINUTES OF THE House COMMITTEE ON Transportation

The meeting was called to order by Rex Crowell at
Chairperson

1:30 ~~am~~/p.m. on March 2, 1989 in room 519-S of the Capitol.

All members were present ~~except~~:

Committee staff present:

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

Conferees appearing before the committee:

Mr. Bob Haley, Kansas Department of Transportation
Mr. Mike Lackey, Kansas Department of Transportation

The meeting was called to order by Chairman Crowell, and the first order of business was discussion on HB-2014 concerning the maintenance, building and funding of highways.

Tom Severn outlined a chart showing the sales tax on new and used vehicles and on parts and services. (See Attachment 1)

Committee discussion and questioning followed.

Mr. Robert Haley, Kansas Department of Transportation, discussed highway finance alternatives. (See Attachment 2)

Mr. Mike Lacke, Kansas Department of Transportation reported on Substantial Maintenance and "Maintenance Only" Funding and its Effect on the State Highway System. (See Attachments 3 and 4)

Chairman Crowell said he preferred Version 24 of the Highway Finance Alternatives which is the 1/2 percent sales tax, 40.5 percent of the motor fuel tax increase to local units, 12 percent sales tax transfer, and would require no bonds but would extend through FY-2002.

A motion was made by Representative Empson that Version 24 be utilized as a funding mechanism on HB-2014. The motion was seconded by Representative Lawrence. Motion carried.

Representative Gross requested to be recorded as voting "no".

A motion was made by Representative Dillon that the Davis Bacon Act be applied to all Kansas portions but would not apply to local units. Included in the motion is the understanding the five geographic areas would be the same as in the federal requirement, the Davis Bacon job classifications would be used, administration would be by KDOT, and a weighted average would be used. The motion was seconded by Representative Justice. Motion carried.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Transportation,

room 519-S, Statehouse, at 1:30 ~~a.m.~~/p.m. on March 2, 1989

A motion was made by Representative Guldner that the factors for distribution of funds through the SCCHF be changed to 1/3 for miles driven, 1/3 for registrations and 1/3 for miles of road. The motion was seconded by Representative Roenbaugh. Motion carried on a division 12-8.

Representatives Blumenthal, Justice, Allen and Everhart requested to be recorded as voting "no".

A motion was made by Representative Shore that each county receive at least \$3,000,000 of work for highway projects. (See Attachment 5) The motion was seconded by Representative Lucas. Motion carried on a division 11-9.

A motion was made by Representative Dean that the Secretary of Transportation report annually to the legislature regarding funding of projects, work in progress, and work done on all projects. The motion was seconded by Representative Gross. Motion carried.

Chairman Crowell announced the Transportation Committee would meet at 8:00 a.m., Friday, March 3, 1989 in Room 526-S.

A motion was made by Representative Russell that intent language for the amount of funding in HB-2099 for assistance to elderly and handicapped transportation, be inserted in HB-2014. The motion was seconded by Representative Shore. Motion carried.

A motion was made by Representative Empson that HB-2014 be recommended favorable for passage as amended. The motion was seconded by Representative Russell. Motion carried.

Representatives Gross, Justice and Blumenthal requested to be recorded as voting "no".

The meeting was adjourned at 3:25 p.m.


Rex Crowell, Chairman

PLEASE PRINT

NAME	ADDRESS	COMPANY/ORGANIZATION
Mark Intermill	Topeka	Kansas Coalition on Aging
Linton Bartlett	Kansas City	City of Kansas City
Ed Brosick	BANK IV	KCCET
Hynden Drenn	Topeka	KDOT
George Barber	Topeka	Barber & Associates
Chucks Nicolay	Topeka	KOMA
Bill Watts	Topeka	KDOT
WARREN L. SICK	Topeka	K.D.O.T
Tim Jones	Topeka	KDOT
Ed Moses	Wichita	Aggregate Producers
ED DE SOIGNIE	TOPEKA	Ks. Contractors Assoc.
Tom Wilhelm	Lawrence	Law. Liaison
John Torbert	Topeka	KAL
FRANK EATON	MANHATTAN	SE KS CITIES
Shelley Sutton	Topeka	KES
Bisk Kready	Topeka	KPL Gas Service
Patrick Sheerley	Topeka	Ks Good Roads
James Dush	Topeka	KDOT
Pat Brough	Overland Park	yellow Freight System
Tom Whitaker	Topeka	Ks Motor Carriers Assn
Mary E. Turkington	Topeka	Ks. Motor Carriers Assn
KAY Coles	Topeka	Ks-NEA
Cathy Holdeman	Wichita	City of Wichita
Bernie Koch	Wichita	Wichita Chamber
Chet Vanatta	Lawrence	Dillon, Reed & Co
Benny Vanatta	TOLSA	Dillon, Reed & Co

SALES TAX ON NEW & USED VEHICLES

PARTS AND SERVICES

10-Feb-89

FISCAL YEAR	SALES TAX TRANSFER UNDER CURRENT LAW	INCREASE TRANSFER TO 9.19% OVER THE CURRENT LAW	INCREASE TRASFER TO 10%	INCREASE FOR PARTS & SERVICES AUTO DEALERS (NOTE 1)	INCREASE FOR PARTS & SERVICES ALL CLASSES (NOTE 2 & 3)	INCREASE TO INCLUDE COMPENSATING TAX ON VEHICLES
	(Thousands)	(Thousands)	(Thousands)	(Thousands)	(Thousands)	(Thousands)
FY 1989	\$33,054					
FY 1990	44,555	\$13,934	\$18,867	\$10,949	\$60,713	\$13,166
FY 1991	49,325	19,995	25,865	15,038	63,142	13,693
FY 1992	51,298	20,566	26,900	15,639	65,667	14,240
FY 1993	53,350	21,388	27,976	16,265	68,294	14,810
FY 1994	55,484	22,244	29,095	16,915	71,026	15,402
FY 1995	57,703	23,134	30,259	17,592	73,867	16,019
FY 1996	60,011	24,059	31,469	18,296	76,821	16,659
FY 1997	62,411	25,022	32,728	19,028	79,894	17,326
FY 1998	64,908	26,022	34,037	19,789	83,090	18,019
FY 1999	67,504	27,064	35,399	20,580	86,414	18,739
FY 2000	70,204	28,146	36,815	21,404	89,870	19,489
TOTAL	\$669,807	\$251,574	\$329,410	\$191,495	\$818,797	\$177,562
ANNUAL AVERAGE	\$55,817	\$22,870	\$29,946	\$17,409	\$74,436	\$16,142

NOTE 1: Reflects the inclusion of sales tax on parts and services collected in sales tax classification "2020 - Auto Dealers." It is often used with the 10% transfer and referred to as a "12%" transfer.

NOTE 2: This estimate includes the Dept of Revenues estimate of sales tax on parts and services which is collected in sales tax classification 2020 - Auto Dealers

NOTE 3: This estimate includes the sales tax collected on parts and services in the Automotive group plus an estimate of the sales tax collected on automotive parts and services from Hardware Stores, Department Stores, Variety Stores, Miscellaneous General Merchandisers, Miscellaneous Retail Stores and Mail Order Houses.

KANSAS SALES TAX CLASSIFICATION: AUTOMOTIVE GROUP

2010 Accessories, Tires, 2020 Auto Dealers, 2030 Filling Services
2040 Garage Repair, 2050 Other Auto and 2070 Occasional Auto.

A + F. /

Haley
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HIGHWAY FINANCE ALTERNATIVES

02-Mar-89

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(MILLIONS)

ALTERNATIVES	MOTOR FUEL TAX INCREASES	REGISTRATION FEE INCREASES	SALES TAX TRANSFER INCREASE	SALES AND COMPENSATING TAX INCREASE	INCREASE TO THE SPECIAL CITY & COUNTY FUND	BOND SALES	PROGRAM
HB 2014	4 c 7/1/89 2 c 7/1/91 1 c 7/1/93 1,033	52% PASSENGER 30% FREIGHT 318	10% OF SALES TAX COLLECTIONS 329	1/2% 62.5% FOR HIGHWAY FUND 865	37.5% OF SALES & COMPENSATING TAX INCREASE 519	LATE SALE AS NEEDED 15-YEAR @ 7.875% 651	SEVEN-YEAR LET
REP CROWELL REQUEST VERSION 24 (TO FY 2002) NINE-YEAR LET	4 c 7/1/89 2 c 7/1/91 1 c 7/1/93 740 (293)	52% PASSENGER 30% FREIGHT 378 60	12% OF SALES TAX COLLECTIONS 644 315	1/2% TO KDOT 1,709 844	40.5% OF MFT INCREASE 504 (15)	EARLY SALE 15-YEAR @ 7.00% 0 (651)	PER HB 2014 EXCEPT NINE-YEAR LET THROUGH FY 2002
REP CROWELL REQUEST VERSION 25 (TO FY 2002) NINE-YEAR LET	3 c 7/1/89 1 c 7/1/90 1 c 7/1/91 1 c 7/1/92 1 c 7/1/93 722 (311)	52% PASSENGER 30% FREIGHT 378 60	12% OF SALES TAX COLLECTIONS 644 315	1/2% TO KDOT 1,709 844	40.5% OF MFT INCREASE 492 (27)	EARLY SALE 15-YEAR @ 7.00% 0 (651)	PER HB 2014 EXCEPT NINE-YEAR LET THROUGH FY 2002
REP DEAN REQUEST VERSION 26 (TO FY 2002) NINE-YEAR LET	4 c 7/1/89 2 c 7/1/91 1 c 7/1/93 746 (287)	52% PASSENGER 30% FREIGHT 378 60	12% OF SALES TAX COLLECTIONS 644 315	0 (865)	40% OF MFT INCREASE 498 (21)	EARLY SALE 15-YEAR @ 7.00% 0 (651)	PER HB 2014 EXCEPT ONLY 33% OF NEW INITIATIVE AND A NINE-YEAR LET THROUGH FY 2002
REP EVERHART REQUEST VERSION 27-a	4 c 7/1/89 2 c 7/1/91 1 c 7/1/93 615 (418)	52% PASSENGER 30% FREIGHT 318 0	12% OF SALES TAX COLLECTIONS 521 192	0 (865)	40.5% OF MFT INCREASE 418 (101)	EARLY SALE 25-YEAR @ 7.25% 1,587 936	HB 2014 EXCEPT ONLY 200 MILLION ENHANCEMENTS
REP EVERHART REQUEST VERSION 27-b	4 c 7/1/89 2 c 7/1/91 1 c 7/1/93 615 (418)	52% PASSENGER 30% FREIGHT 318 0	12% OF SALES TAX COLLECTIONS 521 192	.375% TO KDOT 1,039 174	40.5% OF MFT INCREASE 418 (101)	EARLY SALE 25-YEAR @ 7.25% 0 (651)	HB 2014 EXCEPT ONLY 200 MILLION ENHANCEMENTS

CASH FLOW PROJECTIONS

Projections are consistent with the assumptions made for the interim committee in drafting HB 2014 for existing revenues, state operations and matching of federal aid.

	ENDING BALANCES	
	Maintenance Levels	
	Adequate	Restricted
	(Millions)	(Millions)
FY 1990	24	29
FY 1991	< 5 >	15
FY 1992	< 43 >	< 8 >
FY 1993	< 103 >	< 51 >
FY 1994	< 174 >	< 105 >
FY 1995	< 257 >	< 170 >
FY 1996	< 352 >	< 246 >
FY 1997	< 460 >	< 334 >
FY 1998	< 564 >	< 417 >
FY 1999	< 683 >	< 514 >
FY 2000	< 817 >	< 624 >

NOTE: The Restricted or Current level projection is based on the B-level budget request and includes an additional \$37 million in state operations not shown in the Legislative Research memo of January 10 which shows a shortfall of \$587 million for the A-level budget restricted or current level.

Projected Ending Balances include funds held in escrow.

In order to provide funds for the matching of federal aid, state operations and substantial maintenance additional revenue is required. The additional revenue can be drawn from one or more revenue sources. The following increases in the indicated revenue sources would produce the indicated additional revenue.

<u>FY 1990 - 2000</u>	
One-cent Motor Fuel Tax Increase	\$165 million
Registration Fees:	
10% increase in Passenger fees	\$ 39 million
10% increase in Freight fees	\$ 35 million
One percent increase in Sales Tax Transfer	\$ 96 million

SUBSTANTIAL MAINTENANCE

SUBSTANTIAL MAINTENANCE IS ALSO KNOWN AS CONTRACT MAINTENANCE WHICH INCLUDES SUCH WORK AS:

- 1. 1R RESURFACING PROGRAM**
- 2. MINOR INTERSTATE RESURFACING**
- 3. KLINK 1R**
- 4. MINOR BRIDGE REPAIR**
- 5. BRIDGE PAINTING**
- 6. CULVERT REPAIR**
- 7. EMERGENCY REPAIR**
- 8. SMALL SAFETY PROJECTS**

SUBSTANTIAL MAINTENANCE

LEVELS OF FUNDING FOR SUBSTANTIAL MAINTENANCE ARE DEFINED AS:

A. CURRENT LEVEL -- EXISTING EXPENDITURE LEVEL IN CURRENT YEAR PLUS REASONABLE INFLATION. OVER THE LONG RUN WOULD NOT MAINTAIN THE CURRENT SURFACE CONDITION. FUNDING IS SUCH THAT BRIDGE REPAIR IS VERY MINIMAL AND BRIDGES COULD ONLY BE REPAINTED ON A 96 YEAR CYCLE WHICH IS NOT THE RECOMMENDED 20 YEAR CYCLE.

B. ADEQUATE LEVEL -- FUNDING AT A RATE SUCH THAT CURRENT SURFACE CONDITION IS MAINTAINED AND SLIGHTLY IMPROVED. IT WILL ALLOW FOR A SIGNIFICANT INCREASE IN BRIDGE REPAIR FUNDS TO ALLOW MORE SUPER STRUCTURE AND DECK REPAIR AND WOULD PUT BRIDGE PAINTING ON A 20 YEAR CYCLE.

ROUTINE MAINTENANCE

**WORK DONE BY KDOT'S OWN WORK FORCES TO MAINTAIN FACILITIES, MOW
RIGHT OF WAY, PLOW SNOW, ERECT AND REPAIR SIGNS, MAINTAIN
PAVEMENT MARKINGS AND MINOR REPAIR TO PAVEMENT AND BRIDGES.**

MAINTENANCE COSTS FY 1990

EIGHT WORK PROGRAMS

(MILLIONS \$)

WORK PROGRAM	CURRENT MAINTENANCE	ADEQUATE MAINTENANCE	DIFFERENCE
I PMS-1R PAVEMENT RESURFACING	\$ 41.2	\$ 50.6	\$ 9.4
II INTERSTATE SET ASIDE RESURFACING	\$ 4.7	\$ 4.7	\$ 0
III KLINK 1R	\$ 1.7	\$ 1.7	\$ 0
IV BRIDGE PAINTING	\$ 0.4	\$ 1.9	\$ 1.5
V BRIDGE REPAIR	\$ 0.4	\$ 4.1	\$ 3.7
VI CULVERT REPAIR	\$ 0.4	\$ 0.4	\$ 0
VII EMERGENCY REPAIR	\$ 0.5	\$ 0.5	\$ 0
VIII SAFETY SET ASIDE	\$ 0.3	\$ 0.3	\$ 0
	<hr/> \$ 49.6	<hr/> \$ 64.2	<hr/> \$ 14.6

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"MAINTENANCE ONLY" FUNDING
AND ITS EFFECT ON THE
STATE HIGHWAY SYSTEM

Prepared by

Division of Planning and Development
Kansas Department of Transportation

March 2, 1989

A.H. 4

"MAINTENANCE ONLY" FUNDING
AND ITS EFFECT ON THE
STATE HIGHWAY SYSTEM

BACKGROUND

Many in the Legislature have questioned whether providing KDOT with sufficient funds to carry out a level of operation commonly referred to as "maintenance only" would solve the agency's current funding dilemma. This level of funding is generally described as sufficient funds necessary to match federal aid through the year 2000 and sufficient funds to provide an adequate level of substantial maintenance through the year 2000. This level of substantial maintenance would require funding of \$64 million in FY 1990 and the dollars would inflate at 5.2% thereafter. The funds necessary to match federal-aid are estimated to be approximately \$20 million annually.

The funding of these two elements causes the shortfall which is demonstrated in Figure 1. The shortfall is approximately \$817 million over the 11 year period.

STATE HIGHWAY FUND
Ending Balances

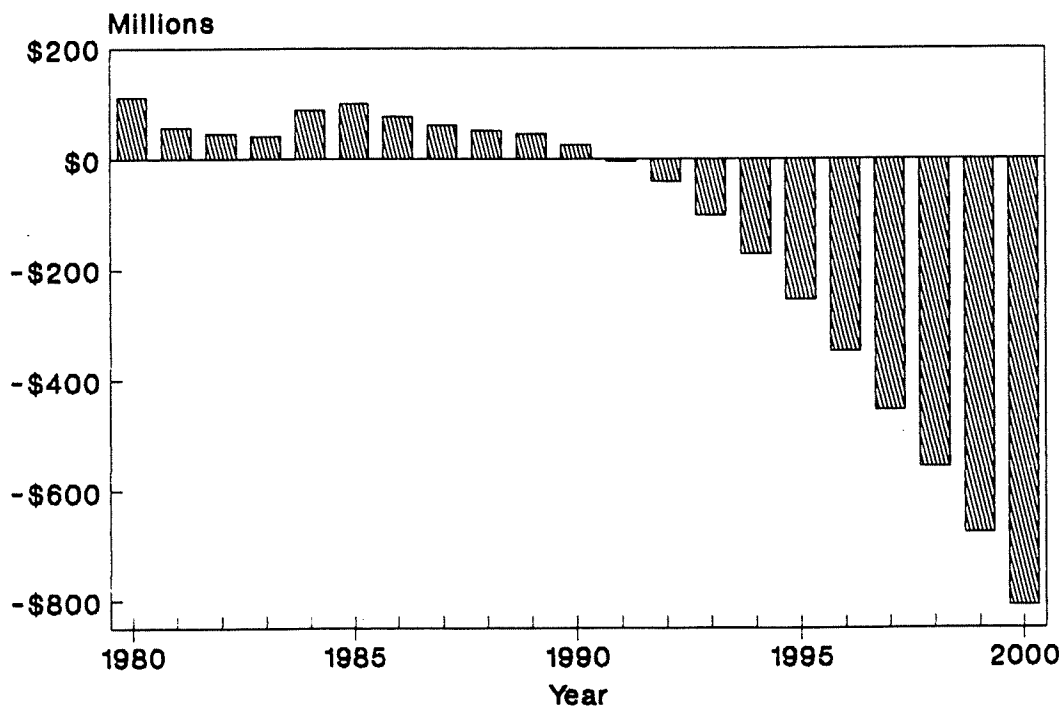


Figure 1.

This funding would allow KDOT to operate at approximately the current program level with a slightly improved substantial maintenance program. The question then, is, is this an acceptable program? The answer is that it is not.

There are four principal reasons why this program funding level is not acceptable: 1) the current level of spending is not sufficient to offset the loss of years of life in the system's roads and bridges; 2) this level of funding allows the size of our construction program to be determined by the size of the federal government's program which is not adjusted for inflation. As a consequence, each year we are able to reconstruct fewer miles of roadway and to rebuild fewer bridges, further exacerbating the decline in the system; 3) the eventual cost for necessary rehabilitation will be increased as will the costs to users; and 4) it does not allow for an expanded construction program which today's economic environment demands.

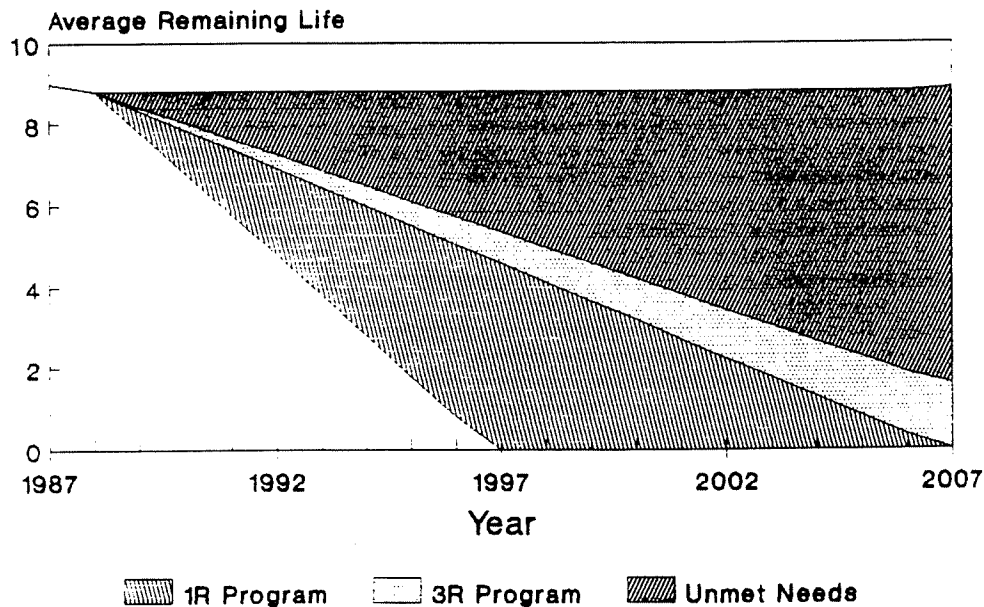
DECLINING LIFE IN THE SYSTEM

The truth is, that at the current funding level, we are losing more years of life in our roadways and bridges than we are replacing.

Figure 2 demonstrates the loss of years of life that our roadway system is experiencing. With no construction or substantial maintenance, all of the life in the highway system would be used up by 1997. With construction at our current level, years of life in the system are still being lost at a greater rate than they are being replaced.

SURFACING NEEDS - AVERAGE LIFE

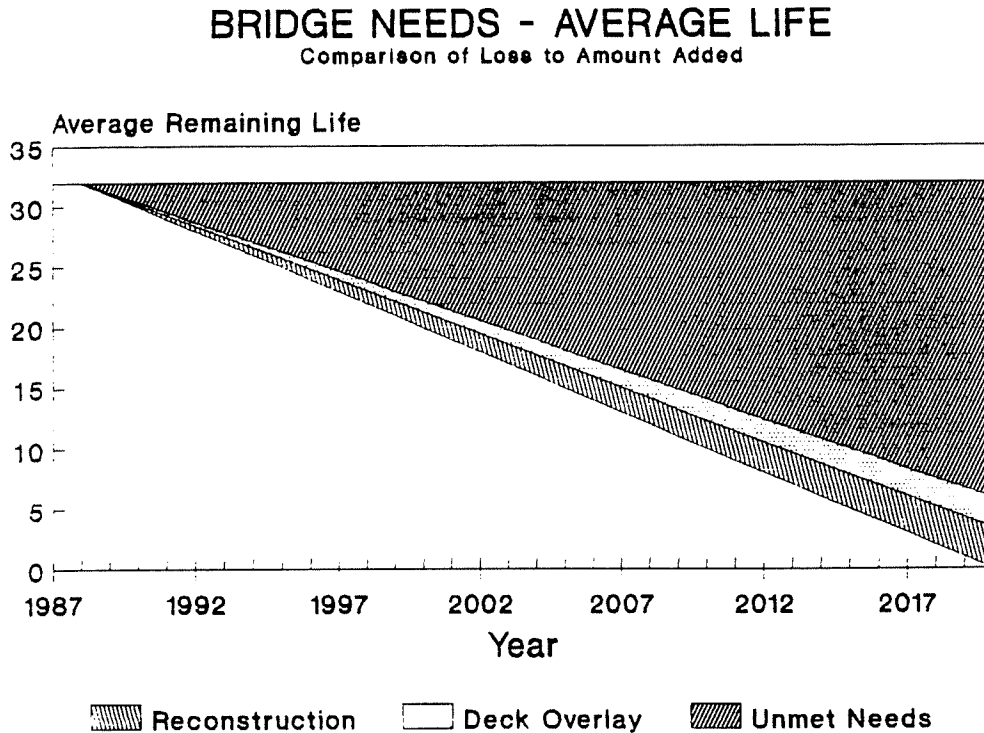
Comparison of Loss to Amount Added



Assumes adequate funding to sustain 1990-1993 Program Level

Figure 2.

Figure 3 shows the same graphical representation for bridges. The graph demonstrates how little bridge work we are really able to accomplish.



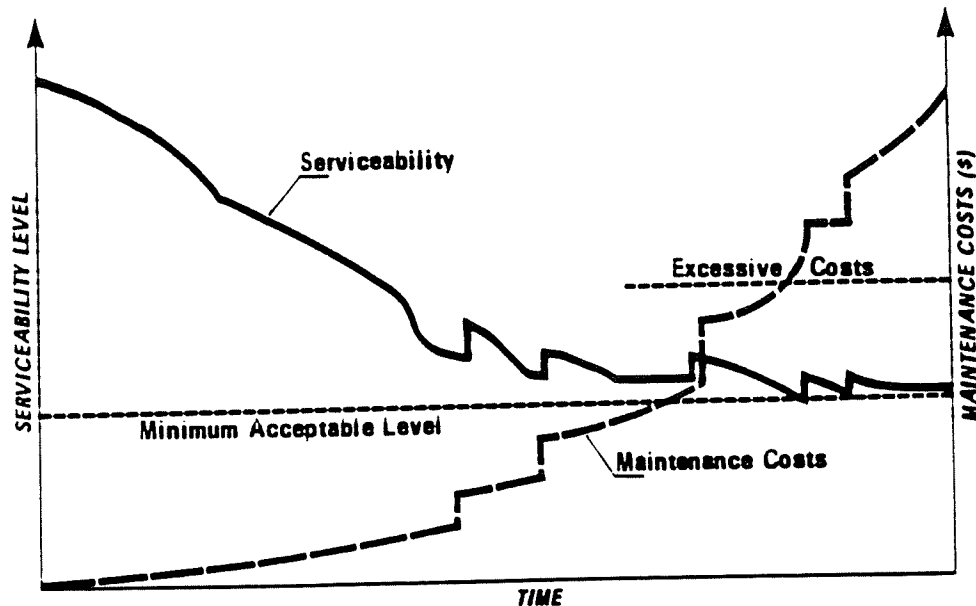
Assumes adequate funding to sustain
1990-1993 Program Level

Figure 3.

The amount of funding necessary to provide an adequate level of substantial maintenance was predicated on an enlarged construction program. If there is not an enlarged construction program, then the level of funding shown in our current calculations will fall short of halting the decline in surface condition as it was meant to do.

The need for pavement reconstruction cannot be indefinitely delayed, even with timely resurfacing. There is a certain amount of aging that occurs from the bottom up that gradually causes the structure to lose its strength. This makes each resurfacing action less effective and reduces the time until the next one is needed. Figure 4 illustrates this by showing that there is a point when the maintenance costs become prohibitive. At this point, pavement reconstruction is the only economical solution.

COSTS OF MAINTAINING SERVICEABILITY



Source: Haas, Ralph and W. Ronald Hudson. Pavement Management Systems. McGraw Hill Company, 1978.

Figure 4.

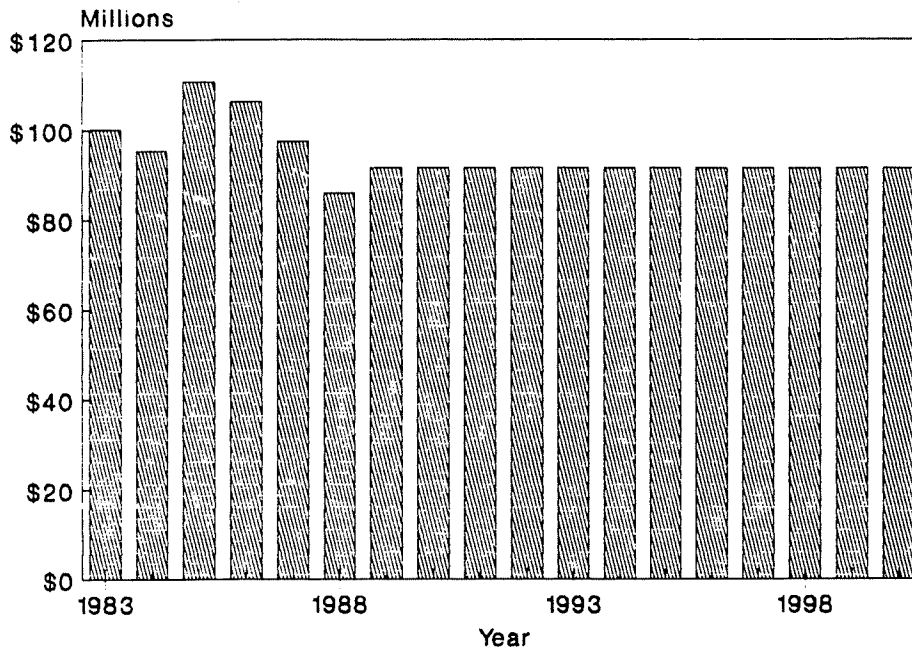
FEDERAL AID

The current KDOT program for major modification is comprised solely of matching available federal aid. This not only allows the federal government to set the size of our major construction program, but it also makes for a small construction program which declines in size over time.

Federal highway revenues, like state revenues are not inflation sensitive. Therefore, we will have roughly the same level of funding in FY 1991 as we had in FY 1987. Consequently, we are able to do less construction from one year to the next.

Figure 5 demonstrates our estimate of available federal aid through the year 2000. The current federal aid program expires in fiscal year 1991. Our estimate for the years beyond that assumes the existing level.

FEDERAL-AID



NOTE: Discretionary Funds not Included.

Figure 5.

Figure 6, 7 & 8, show the declining effect federal funding has on our construction program as contrasted with the level of work that could be constructed under the provisions of HB 2014.

COMPARISON OF ALTERNATE FUNDING Interstate Roadway Rehabilitation

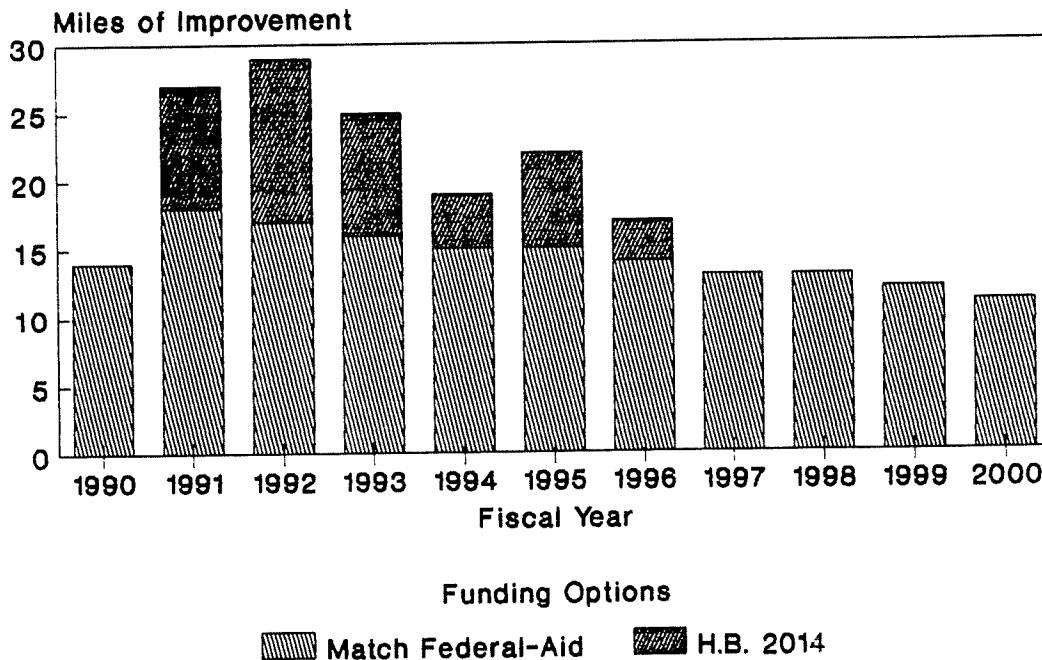


Figure 6.

COMPARISON OF ALTERNATE FUNDING Non-Interstate Roadway Rehabilitation

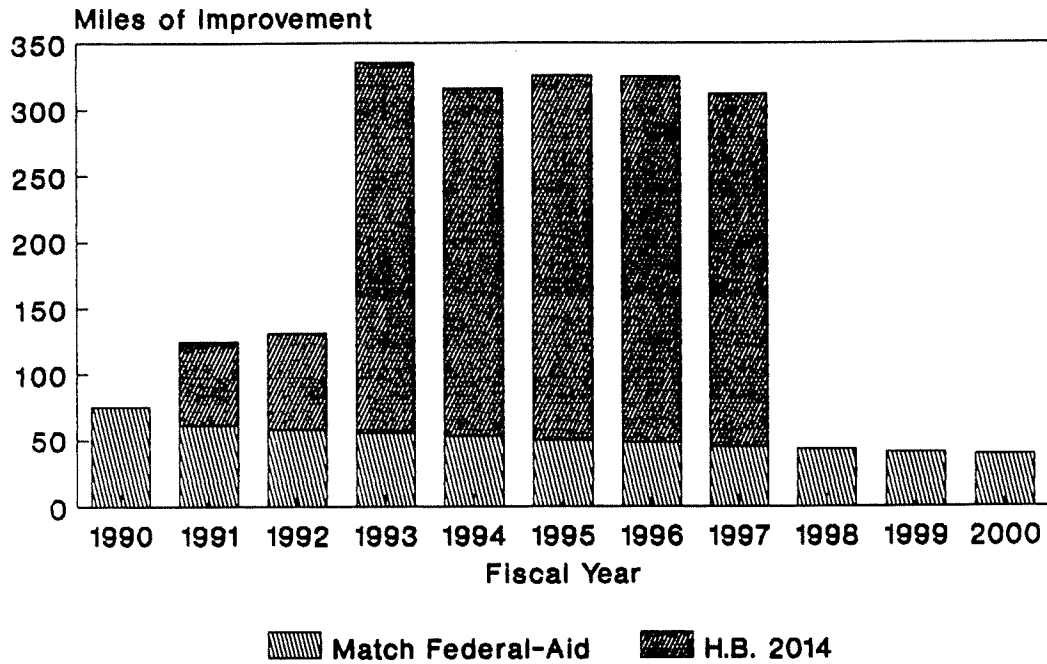


Figure 7.

COMPARISON OF ALTERNATE FUNDING Priority Bridge Rehabilitation

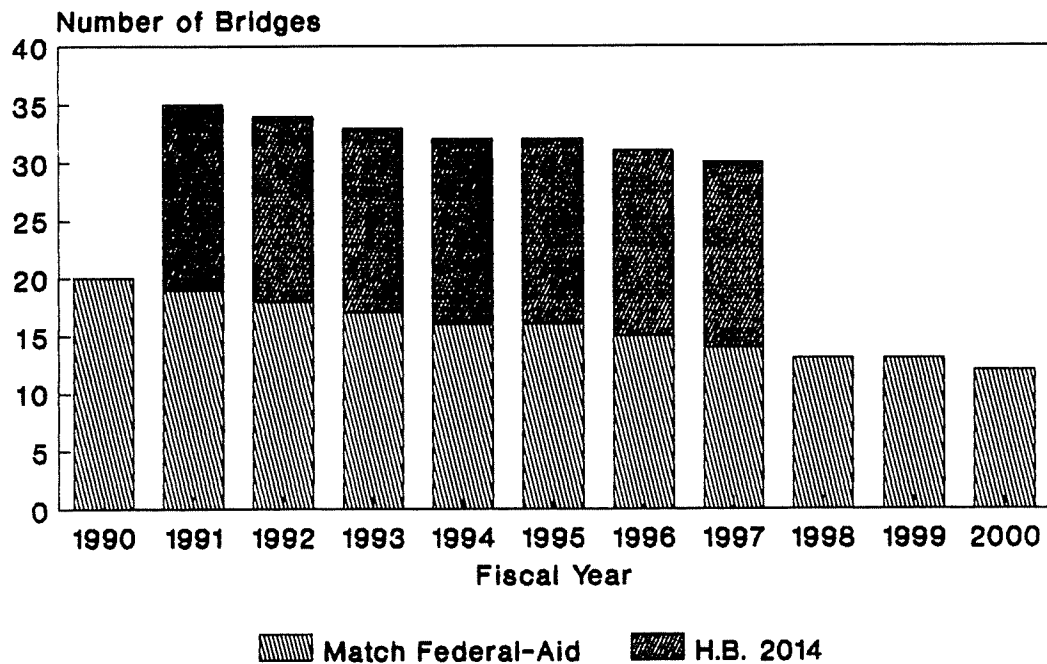


Figure 8.

COSTS TO USERS & KDOT WILL INCREASE

Even without the added cost of inflation, deferring needed highway maintenance significantly increases the costs to both the agency and the road user. An analysis by the Kansas Department of Transportation indicates that the consequence of deferring work due to lack of funds results in a five fold increase in the cost of the work. While the increased costs may seem high, they are in line with estimates made by others. These are well below the 10 to 1 ratio used by the Corps of Engineers and comparable to the 3 or 4 to 1 ratio used by the Federal Highway Administration in recent studies.

A smaller program would also have an impact on the costs to users of the system. While smaller tax increases may save consumers out-of-pocket expenses for taxes, those savings will be lost in the increased cost to use the system. Through the year 2000, the increased cost to users as a result of the lower funding levels in a maintenance only program versus the funding contained in the HB 2014 amounts to \$1.9 billion. If you look at the 2006 time period demonstrated in the chart below, the costs soar to \$8 billion.

ANNUAL VEHICLE OPERATING COST

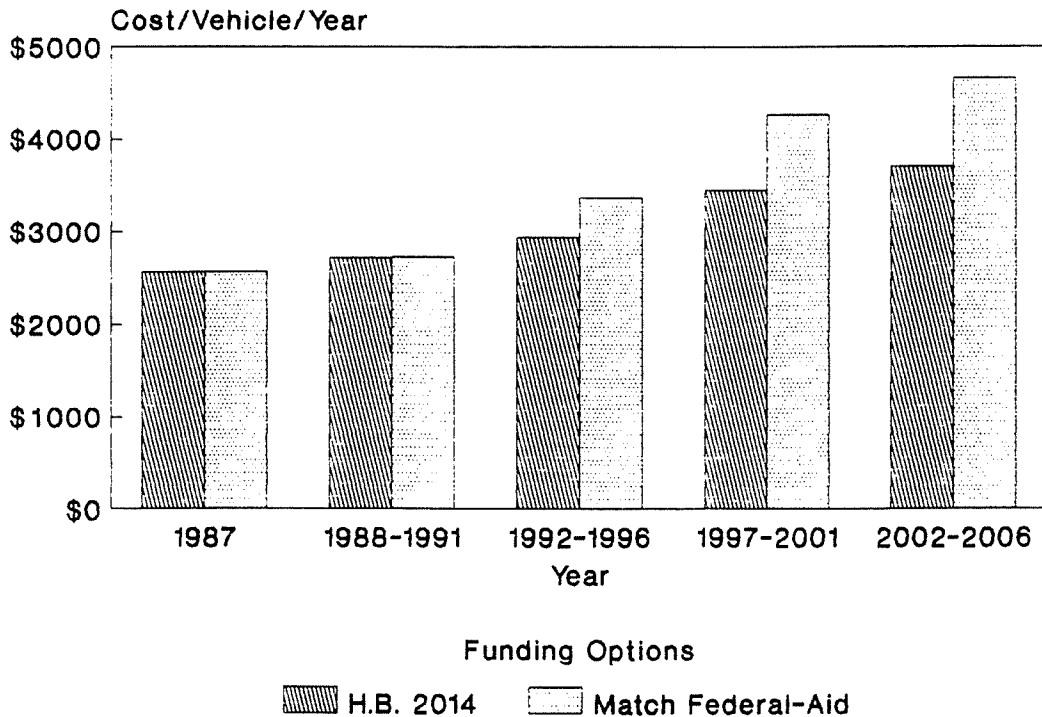


Figure 9.

DOES NOT ALLOW FOR AN EXPANDED CONSTRUCTION PROGRAM

There is currently a great deal of frustration with the small amount of major highway construction that our funding allows us to enter into each year. The funding of our current construction program only allows for the reconstruction of approximately 30 to 40 miles of non-interstate roadway a year out of approximately 5,000 miles which require some kind of attention beyond thin resurfacing.

Additionally, there is a tremendous pent up interest in an expanded construction program which will allow for improvements which go beyond modernizing and restoring the existing roadway. Without an expanded program of state funding, it will be impossible to build or rebuild interchanges, to build bypasses around cities, or to provide for four-lane construction in some high traffic corridors.

CONCLUSION

While providing KDOT with sufficient funds for a "maintenance only" program requires relatively modest tax increases, such a program falls far short of the funding level necessary to maintain the system, thus driving up the out-of-pocket expenses to users of the system. Further, such a program would not provide any of the system enhancement projects which are desired around the state.

PROPOSED AMENDMENT TO H.B. NO. 2014

The secretary of transportation shall expend, from the new revenue provided under the provisions of this act for system enhancements under paragraph (5) of subsection (b) of section 1, at least \$3,000,000 for highway projects in each county of the state.