

Approved 4-29-89
Date

MINUTES OF THE SENATE COMMITTEE ON TRANSPORTATION AND UTILITIES

The meeting was called to order by Sen. Bill Morris at
Chairperson

9:20 a.m./~~p.m.~~ on March 24, 1989 in room 254-E of the Capitol.

Members present:
Senators Morris, Hayden, Kanan, F. Kerr, Martin, Rock, Sallee, Thiessen and Vidricksen.

Committee staff present:
Ben Barrett, Legislative Research Department
Hank Avila, Legislative Research Department
Bruce Kinzie, Revisor of Statutes
Louise Cunningham, Committee Secretary

Conferees appearing before the committee:
George Barbee, Kansas Consulting Engineers
John T. Torbert, Kansas Association of Counties
Allen Bell, Kansas Development Finance Authority

Continued Hearing on H.B. 2014 and S.B. 380 - Highway Plan

George Barbee, Kansas Consulting Engineers, said Kansas design firms are ready and capable of designing the new roads just as they were ready when the Kansas Turnpike was designed and built. It was done by a team approach and many firms got their start in business because of their involvement in the project. A copy of his statement is attached. (Attachment 1).

John T. Torbert, Kansas Association of Counties, said they are supportive of a comprehensive highway program. A copy of his statement is attached. (Attachment 2).

Allen Bell, Kansas Development Finance Authority, gave his view of the right way to finance long-term fixed assets, such as highways. He said the best way was to do it with bonds so users can pay as they use. This would be a less expensive way in the long run and the roads could be built sooner. If we wait the cost goes up and the bonds should be issued as early as possible. A copy of his statement and his presentation on bond financing to the House Transportation Committee is attached. (Attachment 3).

Because of limited time other conferees submitted their written statements to the committee. They were:

Carol Renzulli, Lawrence, stated the need for the elderly and handicapped to have public transportation. (Attachment 4).

Robert E. Burkholder, AARP, supports the provision in the bill to provide improvements in transportation programs for the elderly and handicapped. (Attachment 5).

Ivan W. Wyatt, Kansas Farmers Union, states that Kansas agriculture will doubly bear the burden of the cost of H.B. 2014. They believe funding should be based on income. They oppose H.B. 2014 in its present form of funding. (Attachment 6).

Mark Intermill, Kansas Coalition on Aging, supports the provisions which pertain to elderly and handicapped transportation. (Attachment 7).

Basil Covey, Kansas Retired Teachers Association, said they support H.B. 2014 in the original form and in a somewhat reduced form. They

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON TRANSPORTATION AND UTILITIES,
room 254-E, Statehouse, at 9:20 a.m./~~p.m.~~ on March 24, 1989

especially support the aid to elderly and handicapped provisions.
(Attachment 8).

Bill Henry, Kansas Engineering Society, Inc., said they support the necessity of making improvements to the highway system. (Attachment 9).

Kansas Contractors Association, distributed "A Driver's Increased Vehicle Operating Costs Due to Poor Road/Bridge Conditions" dated March 24, 1989. (Attachment 10).

A sub-committee was appointed to look at all issues before the committee and come back with a recommendation to the full committee. The members are Senators Morris, Francisco, F. Kerr and Rock. They are to meet at 11:00 a.m. in Room 254-E.

Meeting was adjourned at 9:50 a.m.

GUEST LIST

COMMITTEE: SENATE TRANSPORTATION & UTILITIES COMM.

DATE: 1-24-89

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
George Barbee	Topeka	Ks. Consulting Engin.
Dan Rambow	Topeka	Ks. Contractors Assn.
Gloria Timmer	Topeka	D o B
Buck Jones	Topeka	KDOT
Tom Wilhelm	Lawrence	Gen. Liaison
John Torbert	TOPEKA	ILAC
Chet Vanatta	Lawrence	Dillon, Res. & Co.
ALLEN BELL	TOPEKA	KDFA
Judy Riches	Pittsburg	KDOT
Milby	Topeka	KDOT
Dick Miller	Topeka	KDOT
Bonnie Koch	Wichita	Wichita Chamber
Pat McGil	Topeka	Ks. Good Roads
Patrick Herley	Topeka	Ks. Good Roads
Craig Grant	Topeka	K-NEA
Frank	Topeka	KDOT
James Jones	Topeka	KDOT
James V. Bush	Topeka	KDOT
Wanda Turkington	Topeka	Ks. Motor Carriers Assn.
Tom Whitaker	Topeka	Ks. Motor Carriers Assn.
Kay Collins	Topeka	K-NEA
Mike Lashby	Topeka	KDOT
Ed De Saignie	Topeka	Ks. Contractors Assoc.



GEORGE BARBEE, EXECUTIVE DIRE.
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DATE: March 24, 1989
TO: Senate Committee on Transportation & Utilities
FROM: George Barbee, CAE
Executive Director
RE: HB-2014

Mr. Chairman and Members of the Committee my name is George Barbee, President of Barbee & Associates, appearing before you today as Executive Director of the Kansas Consulting Engineers in support of House Bill 2014.

I can tell you that it is with some reluctance that I stand before you to support a highway program that will cause a great deal of business for consultants and, therefore, seem to be very self-serving.

However, my purpose today is to answer a question that we have been hearing these past few years. That question is "Do we have enough Kansas design firms to do the job?" I assure you that if enacted we can design these roads utilizing Kansas consultants just as we did in 1956 and 1957 when the Kansas turnpike was designed and built. Approximately 250 miles of highway was designed and built in 22 months using 18 Kansas design firms.

It was done by a team approach where a managing firm oversaw small segments individually contracted to various firms. The same system would produce the desired results for this highway program.

As I understand the projections, we are anticipating an eight-year program with large segments to be designed on existing routes. This is three times the time that was consumed to have a four-lane turnpike designed and built and we have more design firms available than we did in 1957.

Kansas Consulting Engineers has 56 member firms and at least 32 of these are design firms engaged in road and bridge projects. Many of these firms can attribute their start in business because of their involvement in the turnpike during the 1950's. Either they were small firms that have grown from that experience or they were individuals that were able to start their own firms because of that experience. It was a terrific economic stimulant of long endurance and we look forward to the same long-term benefits of the program you are considering.

Thank you for the opportunity to appear today and if you have any questions I will be more than happy to attempt to answer them.

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3/24/89



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Executive Director
John T. Torbert

Testimony
March 24, 1989

To; Senate Transportation Committee

From; John T. Torbert
Executive Director

Subject; HB 2014

The Kansas Association of Counties is fully supportive of a comprehensive highway program. Our position statement, adopted at our annual conference in November is as follows;

Highway Program- The Kansas Association of Counties supports a major highway initiative. This initiative should be funded by Fuel tax and motor vehicle registration fee increases. Distribution of these new dollars should be based on the current formula. The Kansas Department of Transportation should determine where and how the state share of the money will be used according to certain pre-established criteria. KAC can be supportive of bonding if bonding will guarantee enough revenue for a viable highway program assisting all units of government. We do not favor indexing of the tax on fuel.

The problems that we are experiencing at the local level with our road and bridge system are at least as bad as those experienced within the state system. In excess of 80% of the total public road miles in this state are county or township roads (110,000 miles out of a total of 132,642 miles.) More that 12,000 miles of that 110,000 are paved-more that state system paved miles. Many of these miles have been "given" to us by the state to maintain.

Of the 25,700 bridges in the state, 19,776 or 77% are on the county system. More that 11,000 of these bridges are substandard and need to be either fully replaced or substantially rehabilitated. As a matter of fact, the state of Kansas ranks third nationally in the number of deficient bridges. Federal aid is allowing us to replace about 80 bridges a year by its easy to see that we're not anywhere close to keeping up with the problem.

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3/23/89

With respect to system "needs" the county engineers association recently began compiling such information. For those counties that responded to the survey, the three year highway system needs were in excess of \$81 million. That annualizes to about \$27 million. Contrast that against funding of about \$10 million annually. Our funding sources could be doubled and we would still fall far short of meeting our needs.

The main point that we wish to make is that we have a system wide problem- be it city, county, township or state. It is vitally important that a highway program recognizes the extensive nature of the problem and responds to it with adequate funding at all levels.

TSJSTRAN

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MARTY BLOOMQUIST, ASSISTANT

March 24, 1989

M E M O R A N D U M

TO: Senate Transportation Committee
FROM: Allen Bell, President
SUBJECT: Testimony on House Bill 2014

Attached please find a copy of the outline of the rather lengthy testimony that I made before the House Transportation Committee on February 21 and 22, relating to the use of bonds in financing capital improvement projects. I include this outline as background information.

Today, I want to address just two issues in my remarks to this committee: 1) should bonds be used to finance highway construction projects in Kansas, and 2) if so, what is the best way to use bonds?

The right way to finance long-term fixed assets, such as highways, is to spread the payment for the asset over its useful economic life, to match utilization of the asset and cost amortization. And the best way to do this is with bonds. With highways, "pay-as-you-go" really means pay before you go. By using bonds, users pay as they use. Also, with bonds more roads can be built sooner and less expensively. While we wait to accumulate resources to build more roads, the cost goes up and we have to wait even longer. Finally, using bonds is not necessarily more expensive than using higher taxes. With bonds, the state borrows at tax-exempt rates. With higher taxes, the taxpayers borrow, at much higher rates, either to pay their higher taxbills, or to make up for the drop in their disposable income.

If bonds are to be used in the state's comprehensive highway program, they should be issued as early as possible. Early issuance of bonds will produce the strongest cashflows for the highway fund because it maximizes the state's ability to earn reinvestment income on its idle fund balances. Tax-exempt interest rates are currently very favorable for issuers,

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Senate Transportation Committee
March 24, 1989
Page two

with long-term rates well below eight percent. If we wait until 1996 to issue bonds, interest rates could be as high as they were in the early 1980's, eleven or twelve percent. And Congress has indicated that they might completely eliminate the tax-exempt status of municipal bonds sometime in the next several years.

Finally, as a state official whose job it is to issue bonds, please allow me to make a pitch for leaving some flexibility in the bill's bonding provisions. For example, the bill should include a provision that would allow the Secretary to refinance the outstanding "freeway" bonds with new "highway" bonds, in order to save money, and to clear up any possible legal conflict that might exist between the two types of bonds. In addition, the bill should also permit the Secretary to sell bonds in the manner which is most appropriate and beneficial to the state, under the circumstances that prevail at the time that the bonds are to be sold. This might mean selecting a team of underwriters, using competitive proposals, and then negotiating the interest rates, and other features, at the time the bonds are to be marketed. Or, it might mean using consultants to fashion the bond issue, and then accepting sealed bids from underwriters to buy it. Either way is fair and competitive. Generally speaking, the larger and more complex the bond issue, the better it is to use the negotiated method.

FEBRUARY 21, 1989

**PRESENTATION ON BOND FINANCING
TO THE
HOUSE TRANSPORTATION COMMITTEE**

**BY ALLEN BELL, PRESIDENT
KANSAS DEVELOPMENT FINANCE AUTHORITY**

I. INTRODUCTION: GOVERNMENTAL USE OF BOND FINANCING

**A. HISTORY, INCLUDING BASIS FOR FEDERAL TAX-EXEMPTION,
GOES BACK TO 19TH CENTURY.**

**B. USE OF BOND FINANCING HAS GROWN WITH THE POPULATION
AND DEVELOPMENT OF PUBLIC INFRASTRUCTURE:**

1. GROSS DOLLARS (1988):

A. U.S. - \$100 BILLION

B. KANSAS - \$800 MILLION (RANK 34TH)

**2. RECENT GROWTH: 1947 - \$2.4 B; 1960 - \$7.2 B;
1975 - \$29 B; 1982 - \$77 B.**

**3. OUTSTANDING BONDED INDEBTEDNESS IN KANSAS AS OF
JUNE 30, 1988 (SEE HANDOUT)**

A. TOTAL (ALL JURISDICTIONS) - \$6.99 BILLION

B. STATE LEVEL - \$320 MILLION

C. LOCAL TAXING UNITS - \$6.67 BILLION

(1) UNDER \$100,000 - 1 COUNTY (WALLACE)

(2) \$100 M TO 1 MILLION - 10 COUNTIES

(3) \$1 TO 10 MILLION - 56 COUNTIES

(4) \$10 TO 100 MILLION - 30 COUNTIES

**(5) \$100 MILLION TO 1 BILLION - 5 COUNTIES
(DG, FI, MP, RN, SN)**

**(6) OVER \$1 BILLION - 3 COUNTIES (JO, WY,
SG)**

C. ACTIVITIES TYPICALLY FINANCED BY BONDS:

1. CAPITAL IMPROVEMENT (INFRASTRUCTURE) PROJECTS

2. PUBLIC PURPOSE PROJECTS

3. NOT USED FOR ON-GOING OPERATING COSTS

D. PROS AND CONS OF BOND FINANCING:

1. COST CONSIDERATIONS (INTEREST COST AS A COMPONENT OF OPERATING COSTS)
2. PUBLIC POLICY CONSIDERATIONS
 - A. "PAY-AS-YOU-GO" VS. "PAY-AS-YOU-USE"
(MATCHING USER PAYMENTS WITH USEFUL LIFE)
 - B. TIME VALUE OF MONEY (PRESENT VALUE OF FUTURE BOND PAYMENTS SAME AS PROJECT COSTS)
3. IMPLEMENTATION ISSUES (INFLATION MAKES PAY-AS-YOU-GO MORE EXPENSIVE)
4. ECONOMIC DEVELOPMENT ISSUE (PAY-AS-YOU-GO KEEPS YOU ALWAYS BEHIND THE CURVE)

II. WHAT IS BOND FINANCING?

A. ISSUANCE OF A BOND:

1. CREATES A BINDING OBLIGATION (SET FORTH IN COMPLEX LEGAL INSTRUMENTS AND USUALLY EVIDENCED BY A CERTIFICATE) TO REPAY MONEY BORROWED (USUALLY WITH INTEREST)
2. INITIALLY SOLD TO INVESTORS BY UNDERWRITERS. LATER, CAN BE SOLD AND RESOLD IN "SECONDARY MARKET".

B. BONDS ARE CLASSIFIED ACCORDING TO THE TYPE OF SECURITY INVOLVED:

1. GENERAL OBLIGATION (G.O.) BONDS
 - A. FULL FAITH AND CREDIT OF ISSUER
 - B. UNLIMITED TAXING POWER
 - C. NOT USED AT STATE LEVEL IN KANSAS
2. REVENUE BONDS (FOR REVENUE-GENERATING PROJECTS)
 - A. UTILITY REVENUE BONDS
 - B. LEASE REVENUE BONDS
3. SPECIAL TAX OBLIGATION BONDS (LIMITED TO A SPECIFIED TAX OR USER FEE WHICH IS PLEDGED AS A SOURCE OF REPAYMENT).
 - A. MOTOR FUEL TAXES
 - B. SALES TAXES
 - C. TAXES EARMARKED BY LAW FOR SPECIFIC USE

C. STATE AND LOCAL BONDS ARE TAX-EXEMPT:

1. ENABLES LOWER INTEREST RATE THAN IF TAXABLE
2. FEDERAL, STATE AND LOCAL TAX-EXEMPTION
3. FEDERAL TAX-EXEMPTION IS THREATENED BY CONGRESS

III. THE PROCESS OF ISSUING AND MARKETING BONDS

- A. BONDS MUST BE LEGALLY AUTHORIZED:
 - 1. BOND ELECTION (LOCAL G.O. BONDS)
 - 2. ENABLING LEGISLATION (E.G. HB 2014)
- B. FINANCE TEAM ASSEMBLED (REQUEST FOR PROPOSALS):
 - 1. BOND COUNSEL (NATIONALLY RECOGNIZED)
 - 2. FINANCIAL ADVISOR
 - 3. SENIOR MANAGING UNDERWRITER
 - 4. HIGHLY COMPETITIVE MARKET
- C. BOND COUNSEL'S ROLE IS TO ASSURE THAT ALL LEGAL REQUIREMENTS ARE SATISFIED:
 - 1. BOND RESOLUTION
 - 2. TRUST INDENTURE
 - 3. OFFICIAL STATEMENT
 - 4. PRINTED BONDS
 - 5. CLOSING DOCUMENTS
 - 6. APPROVING LEGAL OPINIONS
- D. FINANCIAL ADVISER'S ROLE IS TO ASSIST IN STRUCTURING THE BOND ISSUE:
 - 1. SOURCES, USES AND TIMING OF PROJECT FUNDING IDENTIFIED, ALONG WITH BOND REPAYMENT CASHFLOWS
 - 2. MATURITY SCHEDULE, TERMS AND CONDITIONS OUTLINED
 - 3. FINANCIAL FEASIBILITY ANALYSIS COMPLETED
 - 4. BOND RATINGS OBTAINED
- E. UNDERWRITER'S ROLE IS SELL THE BONDS (AT THE LOWEST NET INTEREST COST POSSIBLE):
 - 1. COMPETITIVE UNDERWRITING (SEALED BID)
 - A. USED FOR SMALLER, SIMPLER PROJECTS
 - B. NOTICE OF SALE PUBLISHED
 - C. LOWEST NET INTEREST COST CONSIDERED TO BE LOWEST BID
 - D. UNDERWRITING PROFIT MADE ON RESALE OF BONDS
 - 2. NEGOTIATED UNDERWRITING (COMPETITIVE PROPOSALS)
 - A. BEST FOR LARGER, MORE COMPLEX PROJECTS
 - B. STRUCTURING DONE BY UNDERWRITER
 - C. INTEREST RATES NEGOTIATED AT TIME OF SALE
 - D. UNDERWRITER PAID FROM BOND PROCEEDS
- F. MARKETING OF BONDS (UNDERWRITER'S ROLE):
 - 1. SYNDICATION (TEMPORARY PARTNERSHIPS)
 - 2. TESTING THE MARKET (PRE-SALE OF BONDS)
 - 3. TYPES OF INVESTORS (INSTITUTIONS, INDIVIDUALS, BOND FUNDS)
- G. BOND CLOSING (PROCEEDS WIRED, BONDS DELIVERED, FEES PAID)

IV. SPECIAL CONSIDERATIONS

- A. DETERMINANTS OF MARKET INTEREST RATES:
 - 1. GENERAL ECONOMIC CONDITIONS (SUPPLY AND DEMAND)
 - 2. CREDIT WORTHINESS (BOND RATING)
 - 3. STRUCTURING OF THE BOND ISSUE (TERM, FEATURES)
 - 4. EFFECT OF TAX-EXEMPTION (FEDERAL, STATE, LOCAL)
 - 5. CREDIT ENHANCEMENTS:
 - A. BOND RESERVE FUND
 - B. MUNICIPAL BOND INSURANCE
 - C. BANK LETTERS OF CREDIT
- B. DEBT MANAGEMENT ISSUES:
 - 1. INVESTMENT OF FUNDS (ARBITRAGE RESTRICTIONS)
 - 2. DEBT RESTRUCTURING
 - A. TO SAVE MONEY AND/OR REMOVE RESTRICTIONS
 - B. CURRENT REFUNDINGS (CALLABLE BONDS)
 - C. ADVANCE REFUNDINGS (ESCROW OLD BONDS)
- C. TAX REFORM ACT OF 1986 (AND TECHNICAL CORRECTIONS)
 - 1. TREASURY AND CONGRESS ARE HOSTILE TOWARD TAX-EXEMPT MUNICIPAL BONDS
 - 2. CRAZY-QUILT OF CONFLICTING RESTRICTIONS
 - A. 100% TAX ON ANY EXCESS ARBITRAGE EARNINGS
 - B. ALTERNATIVE MINIMUM TAX
 - C. VOLUME CAPS ON PRIVATE PURPOSE BONDS
 - D. REPEAL OF BANK DEDUCTIBILITY
 - 3. U.S. SUPREME COURT (SOUTH CAROLINA VS. BAKER) HAS RECENTLY REJECTED THE CONSTITUTIONAL BASIS FOR TAX-EXEMPT BONDS. WHAT WILL CONGRESS DO?

V. ALTERNATIVE FINANCING APPROACHES FOR H.B. 2014 (HANDOUT)

- A. EARLY ISSUANCE OF BONDS (RATHER THAN LATE IN CONSTRUCTION PERIOD):
 - 1. USE OF BOND PROCEEDS IN PLACE OF HIGHWAY REVENUES FOR CAPITAL EXPENDITURES CREATES VERY LARGE HIGHWAY FUND BALANCES.
 - 2. LARGER BALANCES INVESTED FOR LONGER PERIODS AT HIGHER YIELDS RESULTING IN INCREASED INVESTMENT INCOME.
 - 3. INCREASED INVESTMENT INCOME REDUCES THE NEED FOR SALES TAX INCREASE.
- B. NOW IS THE TIME TO ISSUE BONDS:
 - 1. INTEREST RATES ARE LOW
 - 2. CONGRESS MAY ELIMINATE TAX-EXEMPT BONDS

VI. CONCLUSIONS:

- A. BONDS ARE AN EFFECTIVE TOOL FOR FINANCING PUBLIC INFRASTRUCTURE AT REASONABLE COST, AND THEIR USE IN KANSAS IS WIDESPREAD.**
- B. ISSUANCE SOONER RATHER THAN LATER IS RECOMMENDED TO SAVE MONEY AND TO GUARD AGAINST THE POSSIBLE REPEAL OF FEDERAL TAX-EXEMPTION.**
- C. NEGOTIATED ISSUANCE SHOULD BE ALLOWED TO ASSURE THE LOWEST INTEREST COSTS.**
- D. PROVISION TO ENABLE REFUNDING OF FREEWAY BONDS IS DESIRABLE BECAUSE OF POSSIBLE INTEREST COST SAVINGS DUE TO SIMPLIFIED BOND STRUCTURE.**

Testimony for H.B. 2014 before Transportation Committee

Thank you Chairman Morris, members of the Committee. I am very pleased to be with you to discuss with you a subject which, in the past I have told you "was near and dear to my heart."

I represent a group of consumers who are in large part dependent on public transportation for travel. I am also dependent on public transportation, for the medical reason that even with all the adaptive equipment in the world, I am no longer coordinated enough to operate a motor vehicle, nor have I been for some twenty odd years.

Last week an incident came up that I thought I'd tell you about which will illustrate why H.B. 2014 is so important to us. I sit on the Community Development Block Grant Advisory Board in Lawrence, which meets every Thursday night this time of year. When I called to arrange my ride, I was told that due to budget constraints, the agency was finding it necessary to cut back on the three nights a week we have had available in the past. This story is indicative as to why the need for some operating expense monies exists. Title 16b-2 is for capital expenses only, i.e., purchasing new lift vans, which would be of great help to rural areas as we discussed in earlier hearings. Section 18 provides monies for operating expenses as well as capital expenses. In most of the urban areas, the need is greater for operating expenses.

Further, I would suggest deleting Section 7 from H.B. 2014. First of all, the only census figures we have are those of 1980. It's anybody's

guess as to their accuracy. For instance in Lawrence, we have imported several handicapped people to fill a new complex for the disabled. With the elderly population, there is a natural attrition rate, which would preclude KDOT from coming up with a statistically sound formula for distributing these new monies.

Secondly, if we don't delete it, it would probably entail setting up a new bureaucracy to administer funds, which might or might not result in duplication. In my experience, I've never seen a new bureaucracy do anything--except perhaps try to justify its own existence.

I would like to see a program addressing the needs of the elderly and handicapped citizens with a state supported funding. There is a real problem among the providers in paying the operating expenses. Another problem exists with aging fleets which are not cost effective or safe. There are examples in which vans have broken down on route to medical facilities.

The demographics also indicate that people are tending to live longer and the demand for transportation will be increasing. The trend clearly indicates that aging population will require more public transportation.

In conclusion, whatever solution you choose, the most important point I want to make is that I think there is a need for the state to provide aid to public transportation for elderly and the handicapped. One way to do this is to allow KDOT to coordinate the entitlement programs with state funding

which in turn, will allow KDOT to cost-effectively coordinate elderly and handicapped transportation systems.

Respectfully submitted,

Carol Renzulli

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LCCD Lobbyist



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Buhler, Kansas
March 23, 1989

Honorable Bill Morris
Chairman of Senate Transportation and Utilities Committee
State Capitol
Topeka, KS 66612

Dear Senator Morris:

The State Legislative Committee of the American Association of Retired Persons appreciates this opportunity to present testimony on HB 2014. (Highways and the Financing Thereof)

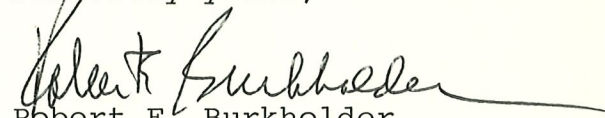
The American Association of Retired Persons supports provisions within this bill that indicates legislative intent to provide, on an annual basis, the amount of \$390,000 for improvements in transportation programs for the elderly and handicapped.

We very strongly believe that improved transportation for the frail and elderly will improve access to services and programs of value and benefit to this group of our citizens and will assist in enhancing the quality of life for these Kansans. We also believe that it can be demonstrated that they are cost effective.

We urge that you retain this provision in HB 2014 as you consider it in the Kansas Senate.

Thank you for the opportunity to present this testimony. We wish you well in the challenging weeks ahead of you.

Sincerely yours,


Robert E. Burkholder
Vice-Chairman
AARP State Legislative
Committee

ATT. 5
T&U
3/24/89

STATEMENT
OF
IVAN W. WYATT, PRESIDENT, KANSAS FARMERS UNION

ON
HB-2014

PRESENTED TO
THE SENATE COMMITTEE ON TRANSPORTATION AND UTILITIES

MARCH 23, 1989

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE

AS I VISIT WITH PEOPLE ACROSS THE STATE ABOUT THE TAX ISSUES BEFORE THE KANSAS LEGISLATURE, I FIND A GREAT AMOUNT OF CONFUSION AND QUESTIONS. FOR EXAMPLE, WHY WAS A BIG TAX BREAK GIVEN TO PEOPLE IN THE HIGHER INCOME TAX BRACKETS IF WE SO DESPERATELY NEED FUNDS FOR A HIGHWAY PROGRAM?

WHY WAS A BIG TAX BREAK GIVEN TO THOSE IN THE HIGHER INCOME TAX BRACKET WHEN IN FACT THE SO-CALLED "WINDFALL" CAME ABOUT BECAUSE PERSONS IN THE HIGHER INCOME TAX BRACKETS ENJOYED A LARGER TAX BREAK ON THEIR FEDERAL INCOME TAX LIABILITY.

AS ONE STATE SENATOR PUT IT SO WELL, "THE INCOME TAX PLAN WOULD BENEFIT URBAN AREAS MORE THAN RURAL AREAS, BECAUSE IT IS AIMED AT MIDDLE TO UPPER INCOME TAXPAYERS, AND MOST OF THOSE PEOPLE LIVE IN URBAN AREAS."

IT IS VERY DIFFICULT TO EXPLAIN TO KANSANS THAT WHILE THESE PEOPLE WILL ENJOY AN ADDED TAX BREAK, NUMEROUS "NEW" TAXES WILL BE LEVIED AGAINST THE FARMER, WORKING PEOPLE, RURAL BUSINESSES AND COMMUNITIES.

PRESSURE FOR THE "NEW" HIGHWAY TAXES ARE NOT COMING FROM THE FARMERS AND RURAL PEOPLE. AS I HAVE WATCHED AND LISTENED TO THE HEARINGS ON THIS ISSUE, THE PRESSURE BASICALLY IS COMING FROM THOSE WHO WILL BENEFIT FROM THE CONSTRUCTION OF NEW HIGHWAYS, YET NOT BE

ATT. 6
T&U
3/24/89

STUCK WITH THE MAJOR BURDEN OF PAYING THE BILL.

THE "HIGHWAY BILL" IS BEING PROMOTED AS AN ECONOMIC DEVELOPMENT ISSUE. THE PURPOSE OF "ECONOMIC DEVELOPMENT" AS I UNDERSTAND IT IS TO GENERATE NEW INCOME. IT SEEMS LOGICAL THEN THAT THE FUNDING OF NEW HIGHWAYS FOR ECONOMIC DEVELOPMENT PURPOSES SHOULD BE FROM A SOURCE BASED ON INCOME, INCOME GENERATED FROM ECONOMIC DEVELOPMENT.

THE PROPOSED "NEW TAXES" IN HB-2014 AS THEY RELATE TO THE RURAL COMMUNITY, RURAL BUSINESSES, AGRICULTURE AND MANY WORKING PEOPLE IS A "NEW TAX" ON PRODUCTION INPUT COSTS, UNRELATED TO THE SO-CALLED ECONOMIC DEVELOPMENT SCHEMES.

IN THE CASE OF AGRICULTURE, IT HAS BEEN RIGHTLY SAID , "THE FARMER-STOCKMAN BUYS RETAIL AND SELLS WHOLESALE AND PAYS THE FREIGHT BOTH WAYS." THEREFORE, KANSAS AGRICULTURE WILL DOUBLY BEAR THE BURDEN OF THE COST OF HB-2014.

FARMER-STOCKMEN OF THE STATE WOULD BE MORE SUPPORTIVE OF HIGHWAY FUNDING IF IT WAS BASED ON INCOME, BUT PRESENTLY AND DURING THE PAST SEVERAL YEARS, AGRICULTURE HAS BEEN PRODUCING FOOD FOR THE CONSUMER AT LESS THAN THE COST OF PRODUCTION.

THIS "NEW TAX" ON OPERATING INPUTS, ALONG WITH THE OTHER "NEW TAXES" BEING PROPOSED, IS UNCONSCIONABLE.

RECENT FIGURES FROM THE FEDERAL RESERVE BANK OF KANSAS CITY AND THE UNITED STATES DEPARTMENT OF AGRICULTURE SHOW THAT EVEN WITH SOME IMPROVEMENTS IN FARM COMMODITY PRICES, FARMERS ARE STILL ONLY GENERATING 84 CENTS OF GROSS INCOME FOR EVERY DOLLAR THEY SPEND IN OPERATING COSTS.

THE KANSAS FARMERS UNION MEMBERS SUPPORT MAINTENANCE AND IMPROVEMENT OF THE STATE'S HIGHWAYS. HOWEVER, THAT IS NOT THE ISSUE. THE ISSUE IS THAT A 64% GAS TAX INCREASE AND A 52% REGISTRATION FEE INCREASE IS A REGRESSIVE TAX LEVIED AGAINST THE WORKING PEOPLE OF THE

STATE, WHILE THOSE WITH HIGHER INCOMES WHO WILL BENEFIT AND PROSPER FROM A MAJOR HIGHWAY PLAN WILL ENJOY A TAX CUT.

THIS IS THE BIG QUESTION THAT THE PEOPLE, THE VOTERS ARE ASKING, WHY? I THINK YOU AND I KNOW THE ANSWER.

THEREFORE, THE KANSAS FARMERS UNION OPPOSES HB-24014 IN ITS PRESENT FORM OF FUNDING.

THANK YOU.

HB2014.DOC UNDER DOC



KCOA

KANSAS COALITION ON AGING

1195 S.W. Buchanan, Topeka, Ks 66604

Telephone: (913) 232-1456

DEDICATED TO THE IMPROVEMENT IN QUALITY OF LIFE FOR ALL KANSANS

Testimony on HB 2014
Senate Transportation & Utilities Committee
Prepared by Mark Intermill, Executive Director

The Kansas Coalition on Aging supports those sections of HB 2014 which pertain to improvement of transportation programs for the elderly and handicapped.

The Kansas Coalition on Aging is comprised of thirty-one organizations and 109 individuals who have an interest in aging issues. Each year we survey our membership to determine which issues KCOA should adopt as priorities. This year, two issues clearly emerged as the top priorities of our membership. One of those issues is the development of a mechanism through which state funding could be provided to transportation programs which serve the elderly and handicapped.

Approximately 30% of Kansans over the age of 65 do not have a drivers license. Consequently, they must rely on others to provide them with transportation. Transportation systems are hard pressed to provide the full range of services needed. Need for additional service is evident in both rural and urban areas of the state. A report of the Legislative Division of Post Audit found that there is a significant need in rural areas for transportation to medical services. The Post Audit report found that organizations serving urban areas reported a need for specialized transportation services. Funding sources which transportation systems have relied upon, including Section 16 (b) 2 and Section 18 of the Urban Mass Transit Act, Older Americans Act and General Revenue Sharing have not grown or have decreased.

We support the sections of HB 2014 which pertain to elderly and handicapped transportation. We believe that a well-designed state-funded transportation program, which emphasizes coordination of existing resources, will allow older Kansans to participate fully in community activities. We encourage the committee to take action to establish such a program in Kansas.

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Kansas Retired Teachers Association

YOUNG HEARTS  STILL SERVING

1988 - 1989



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Members of the Senate Transportation and Utilities Committee:

My name is Basil Covey and I represent the Kansas Retired Teachers Association.

We supported HB 2014 in the original form and we support it in its somewhat reduced form.

Kansas teachers have always supported better roads and highways, and have been willing to help pay for them.


Even in the reduced version, HB 2014 remains intact in what we are particularly interested in. In new section 1, (b) (4) improvements in transportation programs to aid the elderly and handicapped, has our support.

As retired teachers grow older they drive less in private cars and depend more on forms of public transportation.

Larger cities in Kansas may have public transportation available, but in some counties in western Kansas the need is greater.

We urge the Committee to give HB 2014 a favorable vote.

Thank you,


Basil Covey
Chairman, KRTA
Legislative Committee
March 23, 1989

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Testimony on H.B. 2014 Senate Transportation & Utilities Committee March 23, 1989

Mr. Chairman, and members of the committee, I am Bill Henry, Executive Vice President of the Kansas Engineering Society and I appear before you today in support of H.B. 2014 and in support of the necessity of making improvements to our highway system in the state of Kansas.

The Kansas Engineering Society is composed of more than 900 licensed engineers who perform their profession in consulting, government work, industry, construction and education.

Our organization has carefully analyzed H.B. 2014 and with the cooperation of the Department of Transportation has reviewed the various standards the department has utilized in studying the improvements contained in this bill as well as the guidelines for system enhancements.

As a profession the Kansas Engineering Society particularly endorses the direction the interim committee and the House Transportation Committee took in determining that it should be the professionals within the Department of Transportation who should designate where the state should best utilize the dollars produced by this bill to do construction and re-construction. The Department of Transportation in recent years has developed an excellent information system which both rates the efficiency and condition of our roads. It would be highly unwise we feel to not utilize the wealth of information that is available to you in determining where and at what time improvements should be made in a construction period let of five years.

In terms of motor fuel tax increases the Society believes the 4-1-1-1 option as set out in H.B. 2014 to be one good finance alternative the committee should recommend. An initial four cents is absolutely necessary to meet both the requirements for state matching of federal funds and for the initial thrust of the program. In terms of registration fee increases we think that a fifty-two percent passenger fee increase and a thirty percent freight increase is another balanced alternative.

In 1983 the Kansas Engineering Society along with several other organizations you have heard testify today agreed to what was then an unique departure for highway financing in Kansas;

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that was to distribute some of our sales tax collections from the sale of automobile parts and automobiles from the general fund to the highway fund. At the time the engineering society felt this was a highly unique move in that it went away from our "traditional sense" of user fees for highways. Since that time we have seen that particular method of funding to be valuable in a most important sense, it is a growth fund that keeps up with inflation and prevents transportation needs from always being one step behind in funding. As a result the engineering society would endorse a sales tax transfer increase in the amount of at least twelve percent.

Many of the members in the engineering society work for and with local units of government. We are highly cognizant that it is at the local level where most of our infrastructure needs are met, particularly in areas other than transportation. At the same time many of our transportation needs have to be met at the local level as well. As you all know property taxes through re-appraisal, will cause some major shifts of responsibility for local units of government. Today we do not know what those shifts will be. We believe however, as a professional society, that the local units of governments must receive aid through the highway package. We believe that aid must be significant and should amount to at least thirty-five percent of the motor fuel tax increase. This figure we think can be supported by the League of Municipalities and we would urge the committee to listen carefully to the League's recommendation in this area.

H.B. 2014 as passed by the House has no provision for bonding. Our society is not made up of bond experts although our members work on projects involving bond sales, so we cannot tell you what is the best sales technique with which to fund your bond program. However, we would caution the committee to utilize those bonds that will demand the least amount of interest and produce sufficient funds to do the re-construction that is necessary for our road system.

We appreciate the opportunity to share our support for the revitalization of our highway system and we assure the committee that we will be available to support and work toward the passing of legislation that will accomplish that end.

Respectfully submitted,
KANSAS ENGINEERING SOCIETY

William M. Henry
Executive Vice President

ca.

A DRIVER'S
INCREASED VEHICLE OPERATING COSTS
DUE TO POOR ROAD/BRIDGE CONDITIONS

prepared by the
Kansas Contractors Association, Inc.
316 W. 33rd Street, Topeka, KS 66605

March 24, 1989

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(information in this report based on studies performed by the
Federal Highway Administration, the Congressional Budget
Office, The Road Information Program, the Transportation
Research Board, Paul J. Chaffey and Associates, and
Runzheimer International)

All across Kansas, traffic tie-ups and delays due to highway and bridge repairs and improvements have become a fact of life for many of us.

Yet, most of us do not realize the positive effects all this activity has on the state and its drivers. This construction activity has a powerful impact on state and local economies; a fact that few of us are aware of.

It is true that the highway funding bill being considered by the 1989 Kansas Legislature will require the Kansas driver, the direct highway user, to pay more out of his pocket in increased registration fees and gasoline taxes. However, the proposed highway improvement program will not only ensure smoother and safer roads and bridges, but would return millions of dollars to the state and its drivers in new jobs, added tax revenue and savings in vehicle operating costs.

In fact, the increased tax payments a driver would pay for the proposed highway bill are far outweighed by the driving costs he or she is now incurring due to poor road and bridge conditions.

Vehicle Operating Costs

Not only would the state and the construction industry benefit from an increased highway construction program in Kansas, but the state's 1.7 million drivers would be able to save money in vehicle operating costs as well.

Kansas' drivers and visiting motorists benefit from improved -- smoother, safer, more convenient -- roads and bridges. Specifically, they save in the variable costs associated with driving their cars -- motor-fuel consumption, tire wear, auto repairs, damage to brake, steering and suspension systems,

and general vehicle depreciation.

For instance, in 1986, Kansas drivers logged an estimated 19.8 billion vehicle miles on all streets and highways in the state. Some 58 percent, or 11.5 billion vehicle miles, was on substandard road pavement.

The total cost to Kansas motorists of driving on rough, uneven road surfaces was an estimated \$3.35 billion. Had these substandard roads been in good condition, total driving costs would have amounted to only \$2.87 billion -- a difference of \$480 million, or about \$289 a year in added driving costs for each of Kansas' 1.7 million registered drivers.

If all the deficient road surfaces were repaired over an 8-year period, motorists would realize average annual savings of \$60 million a year, or about \$22.8 million for each \$100 million in highway improvements. This savings is cumulative in nature, though, and actually would grow larger year by year as more roads and bridges are upgraded.

These driving cost estimates were prepared by The Road Information Program (TRIP) of Washington, D.C. TRIP's driving cost estimates are based on a Congressional Budget Office (CBO) analysis of data compiled by the Office of Highway Planning of the Federal Highway Administration, on studies by Runzheimer International on the costs of owning and operating a car, and on scientific road tests that measured fuel consumption relative to the physical condition of the pavement in use. Road tests were conducted by Paul J. Chaffey and Associates of Potsdam, New York.

The CBO found that average automobile operating costs increased 11 percent on "fair" - rated road surfaces, 29 percent on "poor"-rated surfaces

and 38 percent on "very-poor"-rated surfaces. The Runzheimer data showed that motor-fuel and oil consumption make up 27 percent of the variable operating costs; vehicle maintenance, 8 percent; tire wear, 4 percent and vehicle depreciation, about 61 percent.

These tests also showed an automobile can use up to 56 percent more fuel traveling over a rough and worn surface because of excess resistance and inefficient transfer of engine power to vehicle propulsion. Rough road surfaces also increase tire wear by up to 150 percent and vehicle maintenance by up to 100 percent.

Movement of Goods and People

Nearly all manufacturers and farmers rely on roads to carry their products and raw materials. Many other Kansas industries rely on the state's road network as well. If the quality and capacity of roads and bridges are substandard, the resulting costs of transporting goods and providing services in and around the state will escalate.

Too-narrow, over-crowded and decaying highways can cause costly economic reverberations in a state like Kansas that is trying to keep and expand existing industries as well as attract new industries.

For example, the Coca-Cola Bottling Company in Wichita relies directly on local highways to transport its soft drinks. Keith Bruce, Manager of Traffic, says, "We are on the road all the time. We use the Interstates as well as secondary roads, but if the roads are rough, our truck maintenance costs go up. Roundabout routes due to road conditions or bad bridges cost us money, too."

Excel Corporation in Dodge City ships its beef products by truck all over the region. Assistant traffic manager Keith Beshirs explains, "Approximately 150 to 200 trailers arrive and leave here daily, 24 hours a day. Our company depends on the highways for growth and well-being. If roads are in bad condition, it definitely costs us more because of the upkeep on the trucks and the time factor."

A study published by the Transportation Research Board in Washington, D.C., found that increased truck operation costs caused by inadequate roads must inevitably be passed along to consumers. Manufacturing and agriculture are among industries most susceptible to changes in transportation costs, the study said.

Lifestyle Interiors, Inc., a growing manufacturer of upholstered furniture and bedding in Newton, ships many of its orders within Kansas, although a significant number of orders go to other states. President of the company, Gary Chaffee, says it's true that poor road conditions mean higher costs all around. "Even if the roads are in poor condition, we still have to use them," he said. "If our maintenance costs go up, or if we incur extra costs due to delays or detours, they inevitably get passed on to the consumer."

Two other companies that consider transportation a major part of their operating expenses are Farmland Industries in Coffeyville and Gates Learjet in Wichita. Donna Schnorr, manager of shipping for Farmland, feels lucky to be in Coffeyville because they have good access to routes leading out of town. "We depend almost exclusively on roads and highways to get our product out," she says.

Gates Learjet ships aerospace components to such major manufacturers as Boeing, Northrop and Martin Marietta. "Everything we use comes from all over the country, and since we ship in most of our raw materials and ship out our finished products by truck, the local roads are very important to us."

Publicity from National Reports

Attached for your information are two media reports on a study performed by TRIP in 1985 on national vehicle operating costs. The first is a report in Motor Trend, a national automobile magazine, and the next a UPI report in the Hutchinson News. Although the figures in these reports are from 1985, they still hold true today. In fact, they must be considered conservative in that as each year goes by, our roads and bridges continue to deteriorate and a driver's costs of operating his or her vehicle continue to increase.

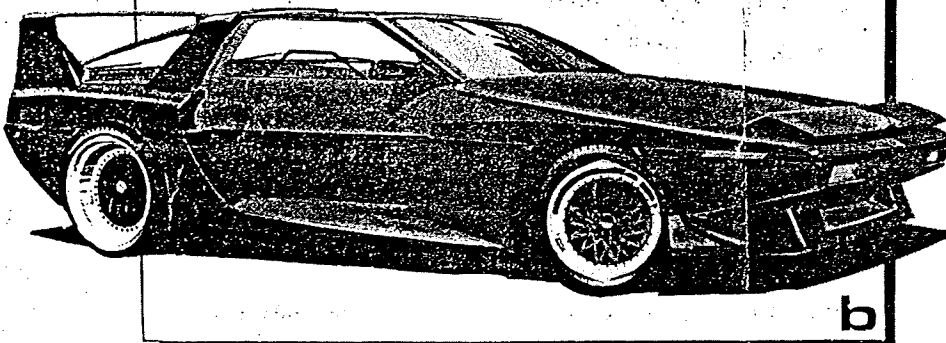
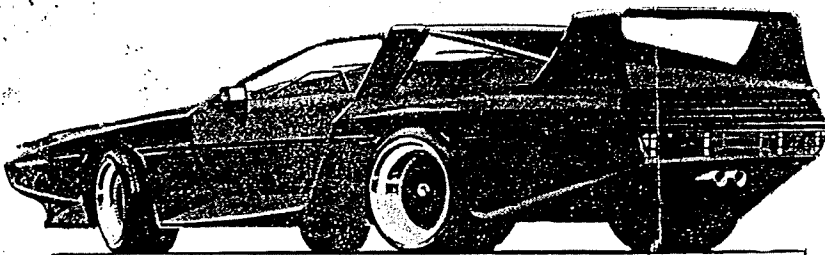
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DeLorean Dream Dying

The boom that has hovered over the head of John Z. DeLorean since his cocaine-trafficking trial has finally been lowered by a federal grand jury in Detroit. DeLorean was the only one named in the 15-count indictment that charged him with racketeering, mail and wire fraud, interstate transportation of stolen money, income tax evasion, and causing false income tax returns to be filed. At the heart of the matter is some \$17.65 million of DeLorean Motor Company funds that allegedly disappeared in an intricate investment scheme.

The indictment comes on the heels of an announcement that DeLorean intends to build a new sports car. Based on the stainless steel-bodied sportster marketed in 1981 and 1982, the new car will use a substantially more powerful engine which, says one of its backers, will make it "the fastest car in the world."

Dubbed the Firestar 500, the gullwing's styling is similar to that of the earlier DeLorean, with wider front and rear fenders and an elevated rear wing not unlike that of a Plymouth Superbird. According to Gordon Novel, a New Orleans businessman and one of the backers in the venture, present plans call for the car to be powered by a 4 valve fuel-injected all-alloy V-8, expected to produce in the neighborhood of 500 hp. By lightening the previous DeLorean up to 500 lb, Novel expects the powerplant to propel the Firestar 500 from 0-60 in less than 4 sec and to a top speed of 220 mph with Bonneville-type tires.

—Jack R. Nerad

2011

The High Cost of Bad Roads

You have good reason to cuss those ruts and potholes. They are costing you \$210 a year in additional fuel, repairs, and tires, according to The Road Information Program (TRIP), a Washington highway research group. TRIP says nearly two thirds, or 1.3 million miles of the nation's 2 million-mile paved road system is in need of repair or reconstruction. These rugged roads are costing each of the country's 154 million drivers \$161 a year in extra fuel wasted due to "loss of traction and insufficient transfer of power to the drive chain" (fuel wasted because of added traffic congestion was not factored in), \$32 for additional maintenance and repairs, and \$17 for tire wear. A TRIP analysis shows poor roads result in twice as many mechanical repairs, 56% more fuel consumption, and 156% more tire wear.

Funded by insurance companies, auto manufacturers, and businesses related to road construction, TRIP obviously has its own interests at heart here. But its study sharply contradicts an earlier report by the Federal Highway Administration (FHA) that said we finally reached a "neutral position," where highway repairs were keeping pace with deterioration. Furthermore, the FHA predicted the scale would tip in favor of highway improvements in the future.

While that may be the case with interstate and major road systems, a TRIP spokesman pointed out that "local and city roads are not privy to the same national and state highway trust funds, and they don't get nearly enough money to maintain what they have. The truth is we are simply not keeping up with the total need."

OCT 23 1985

Potholes can add \$210 to annual driving costs

By Steven Ginsburg
United Press International

WASHINGTON — The average American driver spends \$210 every year on excess car maintenance — including \$161 on wasted fuel — because of potholes, outdated bridges and other poor road conditions, a highway research group says.

"Many of us are totally unaware of the hidden costs associated with driving on substandard pavement and bridges," said Donald Knight, executive director of The Road Information Program.

"You don't have to score a direct hit on a pothole to subject your vehicle to considerable punishment — the constant day-to-day pounding can damage brake, steering and suspension systems," Knight said Monday.

Nearly two-thirds of the nation's 2 million miles of paved roads are in need of repair or reconstruction, costing the nation's 154 million motorists more than \$32 billion a year in additional operating costs, TRIP said.

Wasted fuel accounts for 77 percent of the \$210, increasing the average vehicle's fuel consumption by more than 129 gallons a year. Drivers use up to 56 percent more fuel

Nearly two-thirds of the nation's 2 million miles of paved roads are in need of repair or reconstruction, costing the nation's 154 million motorists more than \$32 billion a year in additional operating costs.

when driving on poor road pavement, TRIP said.

Extra car maintenance caused by poor roads costs drivers \$32 a year and an extra \$17 extra must be spent for excess tire wear. Vehicles operating on bad roads experience an average of 156 percent more tire wear and require mechanical repairs twice as often, Knight said.

TRIP, a non-profit group formed by automakers and auto-related companies, said American drivers in 1984 paid about \$116.8 billion in operating costs, some \$32.5 billion more than if the nation's roads were in good condition.

TRIP said although some \$25 billion will be spent to repair deficient roads and bridges during 1986, the backlog of poor roads continues to increase every year.