

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

9:02 a.m./~~p.m.~~ on March 27, 1989 in room 254-E of the Capitol.

All members were present ~~except~~.

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:

The Chairman said the sub-committee had met for a long meeting on Friday and had its recommendations for the full committee to consider. Copies of "Report of the Subcommittee of the Senate Transportation and Utilities on S.B. 2014" dated March 27, 1989 were distributed. (Attachment 1). Members of the subcommittee were Senators Morris, Chairman; Francisco, F. Kerr and Rock.

Ben Barrett reviewed the report going through each section.

Sen. Rock gave a quick overview of bonding. He gave as an example of buying his first house in 1952 with a 30-year note. He paid \$13,000. Sixteen years later the house sold for \$36,000 because of inflation. Inflation is an actual, real, measurable factor. The interest rate on the loan was fixed so inflation went right on by the interest rate. He had use of the home during this period and it was also the only way he could have started buying a home.

He also gave an example of how a building deteriorates when it is not taken care of. He compared this to Kansas roads that are falling apart and are needing repairs. He said the bridges are in critical need of repair and the only way to accomplish such large projects is through the sale of bonds.

There is a great deal of misinformation about bonds. This centers around cost of interest, effect of inflation, use of arbitrage, economic multiplier, value of use and efficiency of mass construction. He spoke of the advantage of buying the bonds now. Inflation will overtake interest rates in a few years. On projects that are so large, you would never get them if you try to "pay as you go". The same thing would apply in buying a house. People would never get them if they tried to "pay as you go".

Secretary Edwards distributed copies of a mattrix showing Highway Finance Alternatives dated March 26, 1989. (Attachment 2). He also had questions regarding relocation of utilities during construction. He was concerned about acquisition of rights-of-way. The committee felt that these issues should be handled in separate bills at a later time.

Some members felt all of the sales tax increase should go to the highways rather than to share it with education.

The committee discussed the map and felt there should be a better map to show all the improvements. Some areas show nothing.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON TRANSPORTATION AND UTILITIES,
room 254-E, Statehouse, at 9:02 a.m./~~p.m.~~ on March 27, 1989.

A motion was made by Sen. Francisco to introduce a substitute bill to include changes in the committee report. Motion was seconded by Sen. Vidricksen.

A substitute motion was made by Sen. Martin to conceptually amend the committee report with the sales tax increase that 0.25 cent be shared with local units and the other 0.25 cent go totally for highways at the state level. Motion was seconded by Sen. Rock. On a tie vote, the motion failed.

The committee reverted back to the original motion which passed.

A motion was made by Sen. F. Kerr to recommend Substitute for H.B. 2014 as amended, favorably for passage. Motion was seconded by Sen. Vidricksen. Motion carried.

A motion was made by Sen. F. Kerr to amend S.B. 380 to change the effective day to take effect only if H.B. 2014 is enacted. Motion was seconded by Sen. Francisco. Motion carried.

A motion was made by Sen. F. Kerr to recommend S.B. 380 as amended favorably for passage. Motion was seconded by Sen. Francisco. Motion carried.

Testimony from Janette Hanzlick, Kansas Public Transit Association dated March 27, 1989 supporting transportation programs for elderly and handicapped in H.B. 2014 was distributed. (Attachment 3).

Meeting was adjourned at 10:00 a.m.

GUEST LIST

COMMITTEE: SENATE TRANSPORTATION & UTILITIES COMM.

DATE: 3-27-89

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Don Lindsey	OSAWATOMIE	UTU
Thomas R O'Neil	Marysville	VTU
Kevin Harmer	Marysville	UTU
Don Grant	Topeka	KCC
Dan Ramlow	Topeka	Ks. Contractors Assn.
Pat Brough	Overland Park	Yellow Freight System
Tom Whitaker	Topeka	Ks. Motor Carriers Assn.
Bill Curtis	Topeka	Ks. Assoc. of School Bds.
Eileen Thrasher	L.A.	Citizen
Ken Baker	Topeka	K/Ks. Enrollment Assn.
Frank Eaton	Manhattan	SE Ks CITIES
Craig Grant	Topeka	K-NEA
MIKE GROGAN	"	KDOT
Janette Nangle	Topeka	Kansas Public Transit
Patrick Whelan	Topeka	Ks. Coal Prods.
FAT BARNES	TOPEKA	Ks. Motor Car Dealers Assn.
Jim M. B. 1st	Topeka	observer
Judy Runnels	"	Economic Lifeline
Gloria Timmer	Topeka	DoB
Rick Kready	"	KPL Gas Service
John Torbert	"	KAC
Shelley Sutton	Topeka	KES
Chet Vanatta	Lawrence	Dillon Reed & Co
Mutt Truell	Topeka	AP
Ann Coulter	Topeka	Ks. Contractors

SENATE TRANSPORTATION AND UTILITIES COMMITTEE

Date 3-27-89 Place _____ Time _____

GUEST LIST

NAME	ADDRESS	ORGANIZATION
Bernie Koch	Wichita	Wichita Chamber
Bank Jones	Topeka	KDOT
Walter McKinley Zupke		WKE
Howard Edward		KDOT
Jim Jones	Topeka	KDOT
Del Muli	Topeka	KDOT
Mico Lacey	"	"
Lynnda Durr	Topeka	KDOT

REPORT OF THE SUBCOMMITTEE OF THE SENATE TRANSPORTATION AND
UTILITIES ON SENATE BILL NO. 2014

(Senators Morris, (Chairman), Francisco, F. Kerr, and Rock)

March 27, 1989

H.B. 2014 provides for an enhanced highway program for the State of Kansas. Following is a summary description of the program as recommended by the Subcommittee to the full Committee for its consideration. The initiative is contemplated to be an eight year plan with an eight year bid letting schedule. The main components of the plan include:

1. Program Description. A statement of legislative intent indicates that, in order to provide for the construction and reconstruction of a modern and efficient highway system, the Secretary of Transportation (KDOT) is authorized to initiate a program which includes highway and bridge projects the Secretary selects in accord with the KDOT selection method.

(The accelerated building program contemplates projects representing approximately the top 20 percent of the existing state highway system needs, as determined by the KDOT prioritization method; an increase in priority bridge projects of about 25 percent over the program period; and the expenditure of about \$700 million for enhancement projects.)

Additionally, the Secretary is directed to include in the highway program the following:

- a. increase in substantial maintenance to a level which arrests and reverses the decline in road and bridge surface conditions (known as the "adequate" level of maintenance);
 - b. maximum use by the state of available federal highway funds;
 - c. increased state partnership with cities and counties, including geometric improvements on city connecting links, city connecting link payments, and economic development projects;
 - d. improvements in transportation programs to aid the elderly and handicapped (\$390,000 annually); and
 - e. system enhancement projects which improve safety, relieve congestion, improve access or enhance economic development. (KDOT is directed to develop and use criteria for selection of system enhancement projects.)
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2. KDOT Reports. KDOT is required annually to prepare a consolidated report and submit it to the Governor and the Legislature. This report includes: financial status of all funds for the preceding year, detailed explanation of the methods or criteria employed to select construction projects, proposed expenditure and allocation of moneys and the proposed work plan for the current fiscal year and at least the next five years, information concerning construction work completed in the preceding fiscal year and construction work in progress, specific recommendations

for proposed statutory changes, and explanation of any material changes from the previous annual report.

3. Expenditures in Each County. At least \$2.0 million is required to be expended from the revenue produced under the bill in each county of the state.
4. Prevailing Wage. Employees of contractors or subcontractors on nonfederal aid state funded highway projects are to be paid at least the prevailing wage determined in accord with wage areas, job classifications, and wage rates under the federal Davis-Bacon Act. KDOT is to administer this provision.
5. Reflective Sheeting. KDOT will conduct demonstration projects in work or construction zones using Type IA, Type IIA, and Type IIIA reflectorized materials.
6. Bonding and Investment Authority. The Secretary is authorized to issue bonds, including refunding bonds, for the highway program. However, no such bonds can be issued before July 1, 1991. The aggregate principal amount of such bonds outstanding at any time cannot exceed \$1.1 billion. The maturity date of such bonds cannot exceed 25 years. The highway bonds do not constitute a debt of the state but are an obligation of the State Highway Fund, they are exempt from state income taxes, they are approved investment instruments for public bodies and financial institutions, and they may be used as pledged securities by financial institutions seeking the deposit of public funds. Investment of bond proceeds and other revenues to the State Highway Fund are subject to the prudent person rule (except that investment in common stocks is prohibited). The Secretary may recommend investment policies; however, all investments are made by the Pooled Money Investment Board. All interest earnings of the State Highway Fund would be deposited in such fund.

Enabling language permits the Secretary to refund the freeway bonds as a part of the whole program, if it is determined to be advantageous to the state to do so. Such refunding bonds would not be counted toward the \$1.1 billion cap.

The Secretary is authorized to use the negotiation method in the sale of bonds. (Presently, the sealed bid method is the only alternative that may be used.)

7. Registration and Related Fee Increases. Vehicle registration fees are increased generally as follows: the registration fees for automobiles 4,500 pounds or less are increased from \$13, \$16.25, and \$19.50 to a uniform \$25; those over 4,500 pounds are increased from \$26 to \$35; pickup trucks generally are increased from \$25 to \$35; regular trucks are increased in a range of from \$75 to \$100 (12,001 to 16,000 pounds) to from \$1,475 to \$1,925 (80,001 to 85,500 pounds); local and 6,000 mile trucks are increased in a range from \$47 to \$60 (12,001 to 16,000 pounds) to from \$775 to \$1,000 (80,001 to 85,500 pounds); and farm trucks are increased in a range from \$25 to \$35 (12,001 to 16,000 pounds) to from \$500 to \$600 (66,001 pounds and over).

Commensurate changes also are made affecting the following: motorized bicycles (\$5 to \$10); motorcycles (\$10 to \$15); certain electrically propelled vehicles (\$6.50 to \$13); license plate fees for vehicles being delivered by the driveaway method (\$39 to \$44 for the first set and \$13 to \$18 for additional sets); trailers (\$10 to \$15 for 8,000 pounds or less, \$15 to \$25 for 8,001 to 12,000 pounds, and \$25 to \$35 for 12,001 pounds and over); certain mobile homes (\$2 to \$5); 30-day temporary registrations (\$2 to \$3); nonhighway mobile homes and trailers (\$2 to \$5); intrastate 30-day truck operator permits (\$20 to \$26); nonreciprocal 72-hour truck permits (\$20 to \$26); 72-hour truck sales demonstration permits (\$20 to \$26); farm truck 30-day intrastate permits (\$20 to \$26); antique vehicle (initial registration) plates (\$15 to \$40); special interest vehicles and street rods (\$20 to \$26); first dealer license plates (\$250 to \$275); and 30-day temporary dealer registration permits (\$2 to \$3).

8. State Payments for City Connecting Links. The state payment to cities for maintenance of streets and highways designated by the Secretary of Transportation as city connecting links is increased as of January 1, 1990, from \$1,250 to \$2,000 per lane mile.
9. Fuel Tax Increases and Deletion of Fuel Tax Indexation Provision. Motor fuel taxes are increased by 7 cents per gallon, as follows: 4 cents per gallon beginning on July 1, 1989, 1 cent per gallon beginning on July 1, 1990, 1 cent per gallon beginning on July 1, 1991, and 1 cent per gallon on July 1, 1992. The following fuel tax rates per gallon would be in effect on July 1, 1992, when the increases contained in the bill are fully phased in: gasoline, 18 cents; special fuels, 20 cents; and LP-gas, 17 cents. Existing provisions of law impose an inventory tax on dealers holding fuels which have been taxed at the prior rate. The alternative LP-gas tax schedules are adjusted commensurately with the per gallon fuel tax increases. Interstate motor fuel trip permits are increased from \$6.50 to \$8.50 on July 1, 1989, to \$9.00 on July 1, 1990, to \$9.50 on July 1, 1991, and to \$10.00 on July 1, 1992.

The fuel tax indexation provision of the current law is suspended until July 1, 1993.

Local units retain their allocation of fuel taxes through the Special City and County Highway Fund (SCCHF) based on the current fuel tax rates. They do not share in the revenue produced by the rate increases proposed in the bill.

10. Sales Tax Transfer from State General Fund to State Highway Fund. The sales tax transfer from the State General Fund to the State Highway Fund is increased to 10 percent, beginning with the October 1, 1989 transfer and to 12 percent beginning with the October 1, 1990 transfer and thereafter. The transfer is based on the present 4 percent sales tax rate.

(The current statutory rate for that transfer is scheduled to be 71.4 percent of 9.19 percent. The 9.19 percent figure originally was selected because it was considered to be that portion of the sales tax generated by sales of new and used motor vehicles. The 12 percent figure represents approximately the percentage of collections attributed to sales

of new and used motor vehicles and sales of parts and services by automobile dealers.)

11. Sales and Compensating Use Tax Increase and Distribution of Proceeds of Such Increase. The present sales and compensating tax (4.0 percent) is increased beginning on July 1, 1989, by 0.25 percent (to 4.25 percent). Of the amount produced by this increase 25 percent goes to the State Highway Fund and 75 percent is shared with local units.

The distribution to local units is based on a three factor formula -- average daily vehicle miles traveled in the county, motor vehicle registration fees collected in the county, and total road miles in the county. These factors are equally weighted.

12. Linkage of S.B. 380 to H.B. 2014. S.B. 380, which, as amended, would include an 0.25 percent sales tax increase for education, would, if enacted, become effective only if H.B. 2014 also is enacted.

PROGRAM SUMMARY

Following is a summary of the revenue and expenditure enhancements included in the program:

HIGHWAY PLAN -- PROPOSED REVENUE AND EXPENDITURE
ENHANCEMENTS FOR FISCAL YEARS 1990-1997

(In Millions)

REVENUE ENHANCEMENTS

Motor Fuel Tax	\$ 746
Registration Fees	229
SGF (Sales Tax Transfer)	335
Retail Sales and Compensating Tax	117
Interest on Funds	61

SUBTOTAL REVENUE ENHANCEMENTS: **\$1,488**

Net from Bond Sales (proceeds and interest) 1,130

TOTAL ENHANCED REVENUES **\$2,618**

EXPENDITURE ENHANCEMENTS

Offset Shortfall in State Highway Fund (\$500 million)
and Provide \$266 Million Ending Balance in FY 1997 \$ 766

Reconstruction, Improvement, and Priority Bridges	
System Enhancements	1,717
Elderly and Handicapped	3
City Connecting Links	7
New Debt Service ^d	125

TOTAL ENHANCED EXPENDITURES **\$2,618**

- a) Because this table includes only State Highway Fund Expenditures, the sales tax distribution to cities and counties (\$352 million) is not included.
- b) Additional state operations is included for the program.
- c) This is the payout cash flow during the period. The payout beyond FY 1997 would be \$394 million.
- d) The debt service estimate is based on issuance of \$1.102 billion in 20 year bonds @ 8.25 percent. Debt service beyond 1997 is estimated to be \$ 1.821 billion.

HIGHWAY FINANCE ALTERNATIVES

26-Mar-89 08:44:13 AM

(MILLIONS)

KDOT - SOURCES OF FUND							KDOT FUND USES						INCREASE TO THE SPECIAL CITY & COUNTY FUND
ALTERNATIVES	MOTOR FUEL TAX INCREASES	REGISTRATION FEE INCREASES	SALES TAX TRANSFER INCREASE	SALES AND COMPENSATING TAX INCREASE	BOND SALES	TOTAL	AGENCY SHORTFALL CASH NEEDS	PROGRAM				TOTAL	
								MAJOR MODIFICATION	SYSTEM ENHANCEMENTS	BRIDGES	MISCELLANEOUS		
HB 2014 AS INTRODUCED 11-YEARS FY 1990-2000	4 c 7/1/89 2 c 7/1/91 1 c 7/1/93 1,033	SEE NOTE ON REVERSE 320	10% OF SALES TAX COLLECTIONS 326	1/2% 62.5% FOR HIGHWAY FUND 862	LATE SALE AS NEEDED 15-YEAR @ 7.875% 731	INTEREST ON FUNDS 109 3,381	MATCHING OF FEDERAL AID AND ADEQUATE MAINTENANCE FY 1990-2000 877	1,920 MILES FY 1990-2000 1,284	\$700 FY 1990-2000 700	FY 1990-2000 127	ELDERLY ETC \$300,000/YEAR CONNECTING LINKS TO \$2,000 PER LANE MILE FY 1990-2000 12	ENDING BALANCE 101 DEBT SERVICE 287 3,388	37.5% OF SALES & COMPENSATING TAX INCREASE 517
HB 2014 AS AMENDED BY HOUSE 8-YEARS FY 1990-1997	4 c 7/1/89 1 c 7/1/90 1 c 7/1/91 1 c 7/1/92 444 (589)	SAME AS INTRODUCED 227 (93)	12% OF SALES TAX COLLECTIONS 350 24	NONE 0 (862)	NO BONDS 0 (731)	INTEREST ON FUNDS 46 1,067 (2,314)	MATCHING OF FEDERAL AID AND ADEQUATE MAINTENANCE FY 1990-1997 500 (377)	679 MILES FY 1990-1997 307 (977)	\$177 FY 1990-1997 177 (523)	FY 1990-1997 33 (94)	ELDERLY ETC \$300,000/YEAR CONNECTING LINKS TO \$2,000 PER LANE MILE FY 1990-1997 10 (2)	ENDING BALANCE 40 1,067 (2,314)	40.5% OF MFT INCREASE 352 (165)
HB 2014 & SB 380 AS AMENDED BY SENATE SUBCOMM 8-YEARS FY 1990-1997	4 c 7/1/89 1 c 7/1/90 1 c 7/1/91 1 c 7/1/92 746 (287)	SAME AS INTRODUCED 229 (91)	10% FY 1990 12% FY 1991+ SALES TAX COLLECTIONS 335 9	1/2% 50.0% TO EDUC 37.5% TO SC&C 12.5% TO KDOT 117 (745)	LATE SALE AS NEEDED 20-YEAR @ 8.25% FY 1990-97 1,102 371	INTEREST ON FUNDS 89 2,618 (763)	MATCHING OF FEDERAL AID AND ADEQUATE MAINTENANCE FY 1990-1997 500 (377)	1,797 MILES FY 1990-2000 TOTAL LET 1,284 0 ---- PAYOUT FY 1990 - 1997 ----	\$700 FY 1990-2000 TOTAL LET 700 0 1,717 677	FY 1990-2000 TOTAL LET 127 0	ELDERLY ETC \$300,000/YEAR CONNECTING LINKS TO \$2,000 PER LANE MILE FY 1990-1997 10 (2)	ENDING BALANCE 266 DEBT SERVICE 125 2,618 (763)	37.5% OF SALES & COMPENSATING TAX INCREASE 352 (165)

NOTE: All comparisons are with H.B. 2014 as introduced

NOTE: Major modifications, system enhancements and bridges contain 3% for additional state operations

NOTE: Agency shortfall at the adequate maintenance level has been adjusted to reflect the Governor's budget recommendations, the House passed appropriation bill and related assumptions. Project letting schedules are also refined.

NOTE: There have been revisions in the revenue estimates for Registration Fees and the Sales Tax Transfer to reflect revised estimates of vehicle registration, changes in the vehicle registration statute, and changes in estimated total state sales tax collection resulting from the exemption of farm machinery. The changes were made in conjunction with the Department of Revenue and Legislative Research.

NOTE: Shortfall issue will re-emerge in FY 1998 in subcommittee version.

NOTE: NUMBERS MAY NOT AGREE WITH PREVIOUS PRESENTATION BECAUSE OF THE AFORMENTIONED CHANGES

ATT. 2
T&U
3/27/89

REGISTRATION FEE REVISIONS PROPOSED IN HOUSE BILL 2014

PROPOSED AUTOMOBILE REGISTRATION FEES:

WEIGHT CATEGORY	CURRENT	PROPOSED	INCREASE
0-7,000 lbs.	13.00	25.00	12.00
3,001-3,999 lbs.	16.25	25.00	8.75
4,000-4,500 lbs.	19.50	25.00	5.50
over 4,500 lbs.	26.00	35.00	9.00

PROPOSED REVISIONS IN TRUCK REGISTRATION FEES:

GROSS WEIGHTS	REGULAR			LOCAL & 6,000 MILE			FARM		
	CURRENT	PROPOSED	INCREASE	CURRENT	PROPOSED	INCREASE	CURRENT	PROPOSED	INCREASE
Less than 12,000 lbs.	25.00	35.00	10.00	----	----	----	25.00	35.00	10.00
12,001-16,000 lbs.	75.00	100.00	25.00	47.00	60.00	13.00	30.00	40.00	10.00
16,001-20,000 lbs.	100.00	130.00	30.00	75.00	100.00	25.00	42.00	50.00	8.00
20,001-24,000 lbs.	150.00	195.00	45.00	100.00	130.00	30.00	62.00	70.00	8.00
24,001-30,000 lbs.	235.00	310.00	75.00	135.00	175.00	40.00	---	---	---
30,001-36,000 lbs.	285.00	370.00	85.00	160.00	210.00	50.00	---	---	---
36,001-42,000 lbs.	360.00	470.00	110.00	185.00	240.00	55.00	---	---	---
42,001-48,000 lbs.	460.00	600.00	140.00	235.00	310.00	75.00	---	---	---
48,001-54,000 lbs.	615.00	800.00	185.00	315.00	410.00	95.00	---	---	---
54,001-60,000 lbs.	765.00	1000.00	235.00	360.00	470.00	110.00	150.00	180.00	30.00
60,001-66,000 lbs.	915.00	1200.00	285.00	440.00	570.00	130.00	300.00	360.00	60.00
66,001-74,000 lbs.	1,175.00	1,525.00	350.00	575.00	750.00	175.00	500.00	600.00	100.00
74,001-80,000 lbs.	1,325.00	1,725.00	400.00	675.00	880.00	205.00	---	---	---
80,001-85,500 lbs.	1,475.00	1,925.00	450.00	775.00	1000.00	225.00	---	---	---

PROPOSED TRAILER REGISTRATION FEES:

WEIGHT CATEGORY	CURRENT	PROPOSED	INCREASE
8,000 lbs. or less	10.00	13.00	3.00
8,001-12,000 lbs.	15.00	20.00	5.00
Over 12,000 lbs.	25.00	35.00	10.00



Testimony
Senate Transportation Committee
March 27, 1989

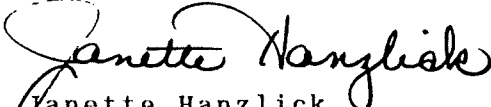
HB 2014

As you deliberate over this complex piece of legislation, I would like to re-emphasize that the Kansas Public Transit Association supports that portion of HB 2014 which addresses the needs of funding for transportation programs for the elderly and handicapped citizens. As provided in testimony before the House Committee, it is clear that such state funding is necessary to enable access to adequate and affordable transportation to many Kansans who have no other means of maintaining their mobility and independence.

Indeed, good public transportation programs are often the answer to a number of problems; in reducing traffic congestion, in reducing air pollution; in alleviating parking problems as well as mobility problems. The federal government, in its push to cut domestic programs to reduce the national deficit is encouraging the states' to address the public transportation needs within each state. HB 2014 is, indeed, a good beginning.

If our association can provide you with any additional information, please do not hesitate to contact me. Our new office address is: 400 SW Croix, Topeka KS 66611. Telephone (913) 267-7435 and FAX# (913) 267-9428.

Sincerely,


Janette Hanzlick
Executive Director