

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by Senator August "Gus" Bogina, Chairperson, at 11:10 a.m. on March 23, 1992 in Room 123-S of the Capitol.

All members were present except:

Senator Winter
Senator Kerr, who was excused

Conferees appearing before the committee:

None

It was moved by Senator Harder and seconded by Senator Gaines that the minutes of the March 17, 19, and 20, 1992 meetings be approved. The motion carried.

HB 2706 - Appropriations for FY93, department of transportation.

Senator Salisbury reviewed the FY92 and FY93 subcommittee reports, Attachment 1. In answer to Senator Gaines, it was stated that the Highway Fund would be the funding source for the House subcommittee's recommendation that KDOT assume responsibility for the reconstruction of the Statehouse driveways.

It was moved by Senator Rock and seconded by Senator Parrish that the FY93 subcommittee report be amended to include a commendation of the Department of Transportation in reference to the methodology they have used to study, control and maintain on a nonpartisan basis the issuance, administration and oversight of the bonds. The motion carried.

Senator Rock expressed concern regarding the House Subcommittee's recommendation to require KDOT to assume responsibility for the reconstruction of the Statehouse driveways, Attachment 1-5, item 3. Senator Rock moved that the subcommittee report be amended by recommending the deletion of item 3 from the FY93 House subcommittee report. Senator Hayden, for the purpose of discussion, seconded the motion. The Chairman pointed out that the General Facilities Building Fund does not exist in Senate legislation. Senator Salisbury noted that no concern had been expressed by conferees in subcommittee testimony regarding the Highway Fund. Senator Hayden withdrew his second, and Senator Rock withdrew his motion.

Senator Hayden stated his opinion that, as a matter of policy, the term "tourism" within the Department of Commerce needs to be defined so as to not include "commercial traveler."

There was lengthy discussion regarding the status of the demonstration projects, item 7 of Attachment 1-6 and Attachment 2. It was noted that there is \$146.6 million in the Federal Act for the demonstration projects which are estimated to cost \$291.3 million. In order to complete the projects, the state must contribute \$149.5 million. Senator Rock noted that the funding plan of the federal government uses all the state's discretionary funds without respect to the state's priorities. Senator Rock moved, Senator Gaines seconded, that the subcommittee report be amended by recommending that no demonstration project that has state funds in excess of the 50:50 match be accepted.

In answer to Senator Moran, Mike Lackey, Department of Transportation, stated that all but one of the demonstration projects were on the system enhancement list, but none was a priority project.

Senator Rock explained that the intent of his motion would be that the shortfall or amount the state is obligated to pay would not exceed 50% of the cost of any project listed on Attachment 2. He noted that he did not recommend the deletion of any project because he did not want to lose the potential for the federal and local governments to pay 50% of the project costs.

Chairman Bogina stated that the state will receive the additional amount of \$155. million from the Federal Highway Act of 1991 over the next five years which could be used at the state's discretion if the money is not required by the federal demonstration projects. There was lengthy discussion regarding the amount of federal funds that would be returned as a result of this motion.

Senator Brady queried whether the Secretary of Transportation has the discretion to revise the project costs. Mr. Lackey noted that the scope of some projects could be reduced because the projected total cost of a project has no bearing on the demonstration project money.

In answer to Senator Parrish, it was stated that the demonstration project monies can only be used for the projects listed on Attachment 2 unless the Federal Highway Act is changed. Mr. Mackey told the Committee that the Department is trying to determine whether monies authorized for the south part of the Oakland Expressway can be diverted to a project for the north part of Oakland because the money would stay within the same project.

Senator Moran commented that regardless of the motion, the projects might not be completed because it is the Department's decision as to which projects to fund.

The motion failed.

Senator Salisbury moved, Senator Parrish seconded, that the subcommittee report as amended be adopted. The motion carried.

It was moved by Senator Salisbury and seconded by Senator Doyen that HB 2706 as amended be recommended favorable for passage. The motion carried.

The Chairman adjourned the meeting at 12:05 p.m.

SUBCOMMITTEE REPORT

Agency: Department of Transportation **Bill No. --** **Bill Sec. --**
Analyst: Rothe **Analysis Pg. No. 71** **Budget Page No. 564**

<u>Expenditure Summary</u>	<u>Agency Est. FY 92</u>	<u>Gov. Rec. FY 92</u>	<u>Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 195,398,386	\$ 194,817,568	\$ --
Aid to Local Units	119,443,028	119,727,028	(284,000)
Other Assistance	200,000	200,000	--
Operating Expend.	<u>\$ 315,041,414</u>	<u>\$ 314,744,596</u>	<u>\$ (284,000)</u>
Capital Improvements	400,437,506	404,339,317	(4,087,827)
Total	<u><u>\$ 715,478,920</u></u>	<u><u>\$ 719,083,913</u></u>	<u><u>\$ (4,371,827)</u></u>
 State General Fund	 \$ 83,113,173	 \$ 87,485,000	 \$ --
 FTE Positions	 3,293.0	 3,293.0	 --

Agency Estimate/Governor's Recommendation

KDOT's revised FY 1992 state operations budget estimate is \$195,398,386, a reduction of \$3,593,948 from the approved budget of \$198,992,334. The revised estimate includes reductions of \$4,431,000 in contracted substantial maintenance, \$391,604 for a price adjustment to vehicle fuel, and \$210,399 as a result of shifting the purchase of Highway Patrol radios to FY 1991. Increases in the current year estimate include \$984,462 for salaries in the regular maintenance program (mostly to reduce the turnover rate from 4.9 percent to 2.5 percent), and \$454,593 for other state operating costs. The Governor recommends \$194,817,568 for FY 1992 state operations, a reduction of \$580,818 from the agency's revised estimate. The recommendation includes a reduction of \$332,273 from salaries due to health insurance adjustments, \$138,592 from travel and subsistence, and \$109,953 from vehicle fuel. The Governor recommends a salary turnover rate for state operations of 2.5 percent compared to the agency's estimate of 2.6 percent.

The local aid estimate of \$119,443,028 is \$1,351,655 below the approved amount. The revised estimate includes a reduction of \$2,463,067 in expenditures from the Special City and County Highway Fund, a net increase of \$1,003,712 in available federal aid, and an increase of \$107,700 in expenditures from the state Elderly and Handicapped Transportation Assistance Fund. The FY 1992 estimate of \$200,000 for other assistance is the same as the amount approved. The Governor's recommendation for local aid of \$119,727,028 is an increase of \$284,000 above the agency's revised estimate to reflect November consensus estimates of motor carrier property tax receipts.

The agency's revised estimate of \$400,437,506 for capital improvements is a reduction of \$16,019,682 from the amount approved. Significant changes to the amount approved for FY 1992 include increases of \$565,000 for federally-funded local construction projects, \$1,577,777 in capital improvements to agency buildings due to a shift of approved projects from FY 1991 to FY 1992, \$500,000 for design and appraisal contracts, a shift of 2.0 FTE positions from the Management Division (\$52,318), and a reduction of the salary turnover rate from 4.9 percent to 3.2 percent (resulting in increased expenditures of \$777,448). Expenditure reductions include \$14,622,000 in state

*SWAM
 March 23, 1992
 Attachment 1*

construction projects due mostly to the advancement or delay of construction projects to other fiscal years, \$3,265,000 in contract inspections, \$387,014 in costs for temporary employees, \$873,864 in overtime costs, and \$294,347 from other expenditures. The Governor recommends \$404,339,317 for capital improvements, an increase of \$3,901,811 above the agency's revised estimate. The recommendation includes a reduction of \$186,016 to reflect health insurance adjustments and an increase of \$4,087,827 for state construction projects from the State General Fund (reflecting the November consensus estimate on sales tax receipts). The Governor concurs with the agency's salary turnover rate of 3.2 percent for FY 1992.

House Subcommittee Recommendation

FY 1992. The House Subcommittee concurs with the Governor's recommendation with the following adjustments:

1. Concur with Governor's Budget Amendment No. 1, which includes a technical adjustment to reduce capital improvements by \$4,087,827 and aid to local units by \$284,000 to reflect the Governor's intent.

House Committee Recommendation

The House Committee concurs with the recommendation of the Subcommittee with the following addition:

1. The House Committee asks the Senate Subcommittee to review the method by which the health insurance rate was applied to KDOT employees. The Committee believes savings may be available if the health insurance rate is applied to each of the 3,293.0 FTE positions.

House Committee of the Whole Recommendation

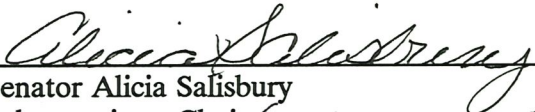
The House concurs with the Committee's recommendation.

<u>Expenditure Summary</u>	<u>House Adj. FY 92</u>	<u>House Rec. FY 92</u>	<u>Senate Sub. Adjustments</u>
All Funds:			
State Operations	\$ --	\$ 194,817,568	\$ --
Aid to Local Units	(284,000)	119,443,028	--
Other Assistance	--	200,000	--
Operating Expend.	<u>\$ (284,000)</u>	<u>\$ 314,460,596</u>	<u>\$ --</u>
Capital Improvements	(4,087,827)	400,251,490	--
Total	<u><u>\$ (4,371,827)</u></u>	<u><u>\$ 714,712,086</u></u>	<u><u>\$ --</u></u>
State General Fund	\$ --	\$ 87,485,000	\$ --
FTE Positions	--	3,293.0	--

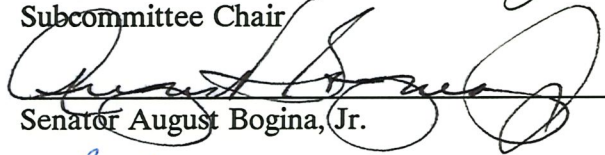
Senate Subcommittee Recommendation

FY 1992. The Senate Subcommittee concurs with the recommendation of the House with the following comment:

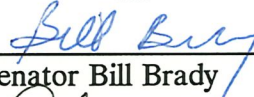
1. The Senate Subcommittee, responding to a House Committee recommendation, reviewed the agency's method of assigning health insurance to employees. The Subcommittee learned that a health insurance rate of \$2,182 is applied to each of the 3,293.0 FTE positions as it is to each state employee in every agency for FY 1992. The Subcommittee believes a change in methodology would be impractical and recommends no change.



Senator Alicia Salisbury
Subcommittee Chair



Senator August Bogina, Jr.



Senator Bill Brady



Senator Jerry Moran



Senator Richard Rock

SUBCOMMITTEE REPORT

Agency: Department of Transportation

Bill No. 2706

Bill Sec. 2

Analyst: Rothe

Analysis Pg. No. 71

Budget Page No. 564

<u>Expenditure Summary</u>	<u>Agency Req. FY 93</u>	<u>Gov. Rec. FY 93</u>	<u>Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 204,538,760	\$ 200,987,056	\$ --
Aid to Local Units	126,155,421	127,705,421	(1,550,000)
Other Assistance	200,000	200,000	--
Operating Expend.	<u>\$ 330,894,181</u>	<u>\$ 328,892,477</u>	<u>\$ (1,550,000)</u>
Capital Improvements	575,738,411	574,198,667	(684,000)
Total	<u><u>\$ 906,632,592</u></u>	<u><u>\$ 903,091,144</u></u>	<u><u>\$ (2,234,000)</u></u>
State General Fund	\$ 90,716,000	\$ 92,950,000	\$ --
FTE Positions	3,308.0	3,308.0	--

Agency Request/Governor's Recommendation

KDOT's operating budget request for FY 1993 totals \$204,538,760, an increase of \$9,140,374 above the revised FY 1992 estimate. The increase includes \$1,593,935 for salaries, an increase of 2.4 percent above the FY 1992 estimate. The request would maintain at 2,208.0 the current year FTE position limitation assigned to the operating budget. The increase also includes \$3,420,000 for additional substantial maintenance contracts, \$369,916 for increased data processing charges, \$356,659 for contracted repair of roadsides and rest areas, \$606,596 for maintenance materials, \$350,000 for the first phase (definition requirement) of the development of two new computer systems, \$2,794,127 for capital outlay, \$755,141 from other operating budget sources, and a reduction of \$1,106,000 in interest payments on debt service. The Governor recommends \$200,987,056 for state operations in FY 1993, a reduction of \$3,551,704 from the agency's request. The reduction includes \$51,810 from salaries, \$356,659 from contracted repair of roadsides and rest areas, \$364,837 from maintenance materials, \$350,000 from the requested computer system development, \$358,065 from motor fuel, \$159,008 from travel, and \$1,911,325 from capital outlay. The Governor concurs with the 2.5 percent salary turnover rate requested for state operations.

The agency requests \$126,355,421 for Aid to Local Units and other assistance for FY 1993, an increase of \$6,712,393 above the revised FY 1992 estimate. The Governor's recommendation of \$127,905,421 is an increase of \$1,550,000 above the agency's request, reflecting November consensus estimates of motor carrier property tax receipts.

The agency requests \$575,738,411 for capital improvements in FY 1993, an increase of \$175,300,905 above the revised FY 1992 estimate. The request includes a reduction of \$868,035 for capital improvements to agency facilities and increases of \$168,528,000 for highway construction and improvement projects, \$1,000,000 for contracted inspection services, \$1,216,295 for capital outlay,

\$1,045,000 for debt service on freeway bonds, \$2,180,682 for salaries, and \$462,893 for other increases. The request includes \$42,282,846 for salaries for 1,100.0 FTE positions, including \$494,833 for the salaries and benefits of 15.0 FTE new Engineering Technicians to meet construction inspection staffing requirements. The salary request also includes an increase of \$374,394 for temporary employees and \$620,749 for overtime pay. The Governor recommends a total of \$574,198,667 for capital improvements, a reduction of \$1,534,744 from the amount requested. The recommendation includes an increase of \$4,607 in salaries to reflect benefit adjustments. The Governor concurs with the agency's request for 15.0 FTE new positions, temporary pay, and overtime pay. The recommendation also includes a reduction of \$184,734 from travel, a reduction of \$1,350,000 from capital improvements to KDOT buildings, a reduction of \$693,617 from capital outlay, and an increase of \$684,000 in financing from the State General Fund (reflecting the sales tax transfer adjusted for the November consensus estimate of tax receipts) for state construction projects.

House Subcommittee Recommendations

FY 1993. The House Subcommittee concurs with the Governor's recommendation with the following adjustments:

1. Concur with Governor's Budget Amendment No. 1 which reduces capital improvement expenditures by \$684,000 and aid to local units expenditures by \$1,550,000. The technical adjustments are recommended to conform with the Governor's intent.
2. Concur with the Governor's recommendation to provide \$1,768,908 from State Highway Fund expenditures for capital improvements -- buildings. The Joint Committee on State Building Construction concurred with the Governor's recommendation, which is a reduction of \$1,350,000 from the amount requested.
3. Concur with an additional recommendation of the Joint Committee on State Building Construction to require KDOT to assume responsibility for the reconstruction of the Statehouse driveways. The project involves the removal of the existing parking surface and the construction of a completely new concrete parking surface. The Governor's FY 1993 recommendation for the Department of Administration included \$123,000 from the proposed General Facilities Building Fund as the first year of a four-year project totaling \$512,000. The Building Committee instead recommends that the entire project be completed in FY 1993 by KDOT.
4. The Subcommittee discussed the agency's highway signage program and the level of cooperation with the Department of Commerce in tourism promotion. The Subcommittee learned that although KDOT must follow federal restrictions on the placement and content of signs, the agency is investigating the possibility of adding supplemental signs. The Subcommittee was also assured that the level of cooperation between KDOT and the Department of Commerce was substantial.
5. The Subcommittee reviewed the agency's FY 1993 request of \$350,000 for the first phase of a plan to add two new computer systems. The request would finance the definition requirement phase of a Financial Management System (\$200,000 in FY 1993, \$4.6 million when completed) and a Highway Maintenance

Management System (\$150,000 in FY 1993, \$978,000 when completed). The Governor's recommendation does not include financing for either system for FY 1993. In 1990 the agency identified a number of computer system projects to be requested over a six-year period for a total estimated cost of \$29.5 million. The first project approved for FY 1990 (an Executive Information System, \$384,000) has been completed. A second project approved for FY 1990 (a Comprehensive Program Management System, \$1,636,000) is in the testing stage and will be implemented this summer. The third and fourth projects approved for FY 1991 (a Construction Management System for \$2,503,915, and an Integrated Design and Environment/Right-of-Way System for \$3,232,132) are also on schedule with the former to be implemented next December. The Legislature did not approve financing for new systems for FY 1992. The Subcommittee notes that the completion of new computer systems is progressing within budget, an unusual phenomenon in state government. By splitting the multiyear enhancement of its computer capabilities into smaller pieces, the Department has found that implementation times and costs are much more manageable.

6. The Subcommittee reviewed the Governor's recommendation for vehicle fuel expenditures of \$0.94 per gallon in FY 1992 (compared to the request of \$1.05) and \$0.97 per gallon in FY 1993 (compared to the request of \$1.10). Recommended per-gallon diesel expenditures are \$0.97 in FY 1992 and \$0.95 in FY 1993. State gasoline purchases do not include state or federal fuel taxes, but diesel purchases include the state diesel tax of \$0.19 in FY 1992 and \$0.20 in FY 1993. The agency supports the recommended amounts which are based on more recent information. The Subcommittee recommends no adjustments to the Governor's recommendation for fuel expenditures, but because of the changing nature of fuel oil prices, asks the Senate Subcommittee to review the recommendation again.
7. Although the agency's budget does not incorporate provisions of the recently approved federal Intermodal Surface Transportation Efficiency Act of 1991, the Subcommittee reviewed preliminary estimates of federal receipts for the six-year highway bill. KDOT estimates that approximately \$155.0 million of the \$1.321 billion six-year apportionment for Kansas is uncommitted. KDOT, which continues to research the intricacies of the federal highway act, indicates that most of the new federal funds would be available towards the end of the six-year program. The Subcommittee also reviewed the federal demonstration projects of \$146.6 million of federal financing. Total estimated costs for eight demonstration projects of \$291.3 million exceed federal funding by \$149.5 million. Unless other sources of matching funds are found, the match would require most of the \$155.0 million of uncommitted federal funds.

The Subcommittee also reviewed federal demonstration project financing of approximately \$146.6 million. Total estimated costs of the eight demonstration projects of \$291.3 million exceed federal financing by \$149.5 million. The shortfall could be matched with a portion or all of the \$155.0 million uncommitted funds, with local funds, or not at all. Demonstration funds are earmarked for the eight projects, and cannot be utilized in any other way. Funds would be returned to the federal government after FY 1997 if not spent on the designated projects. KDOT, which continues to research the intricacies of the Federal

Highway Act, indicates that the federal funds will be received in increments. It will be near the end of the six-year program before enough funds can be obligated to complete many of the proposed projects.

House Committee Recommendation

The House Committee concurs with the recommendations of the Subcommittee with the following addition:

1. The Committee recommends that KDOT provide and staff attach to the Subcommittee Report information on debt service and an estimated schedule for the issuance of bonds.

House Committee of the Whole Recommendation

The House concurs with the recommendation of the Committee with the following addition:

1. A House floor amendment was added which limits appropriations for any services required for the issuance of any bonds on or after July 1, 1992 for projects of any state agency, including but not limited to legal and financial services, unless such services were obtained pursuant to competitive evaluation.

<u>Expenditure Summary</u>	<u>House Adj. FY 93</u>	<u>House Rec. FY 93</u>	<u>Senate Sub. Adjustments</u>
All Funds:			
State Operations	\$ --	\$ 200,987,056	\$ --
Aid to Local Units	(1,550,000)	126,155,421	--
Other Assistance	--	200,000	--
Operating Expend.	\$ (1,550,000)	\$ 327,342,477	\$ --
Capital Improvements	(684,000)	573,514,667	--
Total	<u>\$ (2,234,000)</u>	<u>\$ 900,857,144</u>	<u>\$ --</u>
State General Fund	\$ --	\$ 92,950,000	\$ --
FTE Positions	--	3,308.0	--


Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the recommendation of the House with the following adjustments:

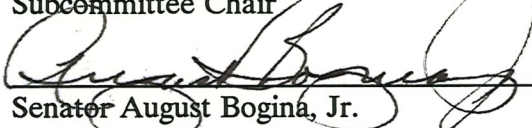
1. The Subcommittee reviewed the highway signage program and learned that KDOT will request the designation of a western Kansas community as a "control

city" in order to receive a supplemental guide sign indicating the name of the community -- Next Exit. The Subcommittee supports the effort to receive such designations. The Subcommittee also considered adding a separate line item to the bill for tourism signs to assure that this program would be carried out, but decided that since KDOT and the Department of Commerce are making a cooperative effort to improve signing policies for tourism attractions, such line item should be deferred to let the agencies work out any obstacles and report back to the Legislature.

2. The Subcommittee recommends that KDOT develop a program to transfer city highways and city connecting links which are currently on the state highway system to local governments wherever justified. City highways that primarily serve local interests should be the responsibility of local governments rather than the state.
3. The Subcommittee recommends the deletion of the House floor amendment limiting bonding for all state agencies.
4. The Subcommittee reviewed the status of the Rail Rehabilitation Loan Guarantee Fund, created by the 1989 Legislature (H.B. 2434). Legislation limits the total unpaid principal amount of obligations guaranteed to no more than \$20.0 million of which no more than \$5.0 million may be available each fiscal year. KDOT has not yet requested the authority to make expenditures from the fund. Quarterly financial reports reveal a \$5.0 million outstanding balance and \$20.0 million in collateral. The Subcommittee notes that the fund is sound with no liabilities.
5. KDOT recently contracted for an assessment of the new operating procedures being used in new computer systems development. Findings of POL/ARIS Consulting Services indicate the need for change and improvement in specific areas. KDOT reports that those findings are being implemented where possible. The assessment cites staff limitations and a need for improved coordination between KDOT and DISC. Efforts have been undertaken to identify roles and responsibilities of each agency. The Subcommittee notes the importance of the systems as well as the financial investment and recommends that POL/ARIS recommendations be implemented on a systematic and regular basis. The Subcommittee also recommends that every effort be undertaken by KDOT and DISC to minimize further production loss and to assure the successful completion of the projects.



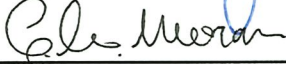
Senator Alicia Salisbury
Subcommittee Chair



Senator August Bogina, Jr.



Senator Bill Brady



Senator Jerry Moran



Senator Richard Rock

SWAM
March 23, 1992
Attachment 2

DEMONSTRATION FUNDING SHORTFALL

(\$ Millions)

<u>Project</u>	<u>Demo Funds</u>	<u>Appr. Act</u>	<u>Proj. Cost</u>	<u>Short Fall</u>
US-81	\$56.2 ¹	--	\$97.6	\$41.4
Hutch. Bypass	48.8	--	48.8	9.8 ²
Riverton to I-44	13.1	\$1.4	37.4	22.9
I-435/Roe/Nall	4.1	3.6	20.3	12.6 ³
Lawrence Circ.	3.3	--	47.9	44.6
Leav. Trfwy.	8.6	--	8.6	--
US-54/Oliver	6.6	--	6.6 ⁴	--
Oakland Expr.	5.9	--	24.1	18.2
Total	\$146.6	\$5.0	\$291.3	\$149.5

(1) Max. amount avail. dependent on language interpretation

(2) Required 20% Match

(3) Add another \$51 million to do mainline

(4) Part of a larger project with state & local \$