

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by Chairperson August Bogina at 11:00 a.m. on February 2, 1995 in Room 123-S of the Capitol.

All members were present except:

Committee staff present: Julian Efir, Legislative Research Department
Michael Corrigan, Revisor of Statutes
Judy Bromich, Administrative Assistant
Ronda Miller, Committee Secretary

Conferees appearing before the committee:

Others attending: See attached list

Senator Salisbury moved, Senator Moran seconded that the minutes of January 31, 1995 be approved as presented. The motion carried on a voice vote.

It was moved by Senator Rock and seconded by Senator Salisbury that bill draft 5 RS 0861 be introduced as requested by the Education Subcommittee. Senator Bogina noted that the Education Subcommittee had not provided additional monies for base state aid per pupil in the appropriation bill for the Department of Education and this bill draft provides an additional \$30 in the base rate and allows continuation of the local option budget. Senator Kerr endorsed the Subcommittee's recommendation that the bill be referred to the Education Committee. The motion carried on a voice vote.

SB 49: Appropriations for FY 96, department of transportation

Senator Kerr reviewed the FY 95 and FY 96 subcommittee reports (Attachment 1). There was discussion regarding the following recommendations in the FY 96 report:

Item 4 (Attachment 1-6.) Senator Kerr explained that the Department's restoration of positions at the beginning of each fiscal year is in contrast to being exempt from the retrenchment policy and, though the restoration method is labor intensive, it has been successful.

Item 5 (Attachment 1-7, 8) Senator Kerr told members that all bonds have been sold at favorable rates and the Department is using the proceeds from the bonds before using Highway Fund monies because of federal arbitrage rules. This has proven to be a profitable decision. In answer to Senator Brady, it was stated that the Highway Program is on schedule and within budget.

Item 6 (Attachment 1-9) Senator Kerr commented that the subcommittee had asked the Department about steps it had taken to use Kansas contractors and were told that the Department was able to contract with Kansas companies in over 80% of its contracts and that approximately 85% of the money involved in the contracts had gone to Kansas contractors. Senator Salisbury moved, Senator Kerr seconded, that section 6 of the FY 96 subcommittee report be amended with conceptual language regarding the percentage of contracts and the percentage of monies from contracts that had been awarded to Kansas contractors. The motion carried on a voice vote.

Senator Kerr commended the Department of Transportation for financial management and for implementing the programs as intended.

A representative from the Department stated that resources from the agency's existing budget would be used for PCs related to the implementation of the Statewide Human Resources and Payroll System (SHaRP). Chairman Bogina expressed his concern that individual agencies would make requests for technical equipment to implement the SHaRP program and noted that he would like to develop a policy requiring that

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS, Room 123-S Statehouse, at 11:00 a.m. on February 2, 1995.

enhancements for SHaRP go through DISC. Concerns about where requests for computer acquisition should be reviewed in the legislative process, how agencies get into the review process before the legislative session begins, and what entity has control over policy decisions regarding which systems are used by various agencies were also mentioned.

There was lengthy discussion regarding the Governor's recommendation to cap demand transfers at 3.7% growth rate. In answer to a question, it was stated that the cap would reduce revenues transferred to the Department of Transportation by \$5.8 million. In answer to a question, it was stated that the Department expects to be able to complete its programs under the Governor's recommendation.

It was moved by Senator Kerr and seconded by Senator Rock that the FY 95 subcommittee report and the FY 96 subcommittee report as amended be adopted. The motion carried on a voice vote.

Senator Morris moved and Senator Lawrence seconded that SB 49 as amended be recommended favorable for passage. The motion carried on a roll call vote.

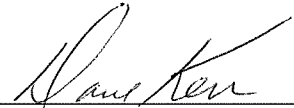
The Chairman adjourned the meeting at 12:00 noon. The next meeting is scheduled for February 7, 1995.

SUBCOMMITTEE REPORT

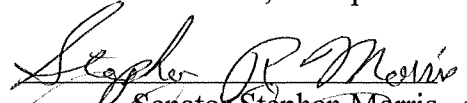
Kansas Department of Transportation

FY 1995 and FY 1996

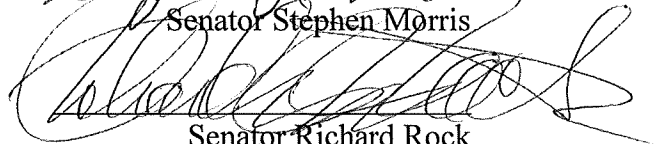
February 1, 1995



Senator Dave Kerr, Chairperson



Senator Stephen Morris



Senator Richard Rock

SWAM
February 2, 1995
Attachment 1

SUBCOMMITTEE REPORT

Agency: Kansas Department of Transportation Bill No. --

Bill Sec. --

Analyst: Efird

Analysis Pg. No. 131

Budget Page No. 507

Expenditure Summary	Agency Estimate FY 95	Governor's Recommendation FY 95	Senate Subcommittee Adjustments
EXPENDITURES:			
Agency Operations	\$ 177,424,932	\$ 174,967,688	\$ 0
Other Operations	708,325,513	708,325,513	0
TOTAL -- Reportable Funds	<u>\$ 885,750,445</u>	<u>\$ 883,293,201</u>	<u>\$ 0</u>
Add Nonreportable Bonds	345,389,693	345,389,693	0
TOTAL -- All Funds	<u><u>\$ 1,231,140,138</u></u>	<u><u>\$ 1,228,682,894</u></u>	<u><u>\$ 0</u></u>
FINANCES:			
State General Fund (SGF)	\$ 91,486,834	\$ 91,486,834	\$ 0
State Highway Fund (SHF)	632,465,001	632,465,001	0
All Other Funds	161,798,610	159,341,366	0
TOTAL -- Reportable Funds	<u>\$ 885,750,445</u>	<u>\$ 883,293,201</u>	<u>\$ 0</u>
Add Nonreportable Bonds	345,389,693	345,389,693	0
TOTAL -- All Funds	<u><u>\$ 1,231,140,138</u></u>	<u><u>\$ 1,228,682,894</u></u>	<u><u>\$ 0</u></u>
FTE Positions	3,304.0	3,304.0	0.0
Special Projects Positions	10.0	10.0	0.0

Agency Estimate/Governor's Recommendation

A net adjustment in expenditures is requested by KDOT amounting to an increase of \$71,741,496 in the approved FY 1995 budget (including non-reportable bond expenditures). The estimate for agency operations has been maintained, with the approved expenditure limitation allowing for a shift of \$595,366 from salaries and wages to other operating expenses. The other operations component of expenditures, primarily capital improvements, is increased by almost \$50.4 million from the approved estimate for the current fiscal year. In addition, expenditures from non-reportable bond financing are increased by almost \$21.4 million. KDOT, in its narrative explanation of revisions to the current fiscal year budget for the state projects construction program, attributes the net increase for expenditures to a revised projection based on actual FY 1994 bid awards, changes in planned program activities, and updated project cost estimates. It is anticipated by KDOT that almost all of the \$890 million in proceeds from the sale of bonds authorized for the Comprehensive Highway Program will be expended by the end of FY 1995.

The Governor recommends a net adjustment in expenditures amounting to an increase of \$69,284,252 in the approved FY 1995 budget (including non-reportable bond expenditures). The estimate for agency operations has been reduced by \$2,457,244 from the approved expenditure limitation. No change in the FTE staffing level is recommended by the Governor. The estimate for other operations component of expenditures, primarily capital improvements, is increased by almost \$50.4 million from the approved estimate for the current fiscal year. Expenditures from non-reportable bond financing would be

increased by almost \$21.4 million. No FY 1995 adjustments are included in the supplemental appropriations bill submitted by the Governor.

Differences Between Approved and Revised FY 1995 Budget

	<u>Approved</u>	<u>Agency Rev.</u>	<u>Agency's Change</u>	<u>Gov. Rec.</u>	<u>Governor's Change</u>
Agency Operations					
Salaries and Wages	\$ 116,955,966	\$ 116,360,600	\$ (595,366)	\$ 114,337,387	\$ (2,618,579)
Other Operating	<u>60,468,966</u>	<u>61,064,332</u>	<u>595,366</u>	<u>60,630,301</u>	<u>161,335</u>
Subtotal--Agency Operations	<u>\$ 177,424,932</u>	<u>\$ 177,424,932</u>	<u>\$ 0</u>	<u>\$ 174,967,688</u>	<u>\$ (2,457,244)</u>
Other Operations					
Maintenance	\$ 24,481,000	\$ 34,821,000	\$ 10,340,000	\$ 34,821,000	\$ 10,340,000
Construction	506,446,787	541,960,671	35,513,884	541,960,671	35,513,884
Local Support	126,845,923	131,343,842	4,497,919	131,343,842	4,497,919
Management	<u>200,000</u>	<u>200,000</u>	<u>0</u>	<u>200,000</u>	<u>0</u>
Subtotal--Other Operations	<u>\$ 657,973,710</u>	<u>\$ 708,325,513</u>	<u>\$ 50,351,803</u>	<u>\$ 708,325,513</u>	<u>\$ 50,351,803</u>
TOTAL--Reportable Funds	\$ 835,398,642	\$ 885,750,445	\$ 50,351,803	\$ 883,293,201	\$ 47,894,559
Add Nonreportable Bonds	324,000,000	345,389,693	21,389,693	345,389,693	21,389,693
TOTAL--All Funds	<u>\$ 1,159,398,642</u>	<u>\$ 1,231,140,138</u>	<u>\$ 71,741,496</u>	<u>\$ 1,228,682,894</u>	<u>\$ 69,284,252</u>

Senate Subcommittee Recommendation

The Subcommittee concurs with the Governor's FY 1995 recommendations.

SUBCOMMITTEE REPORT

Agency: Kansas Department of Transportation **Bill No. 49**

Bill Sec. 2

Analyst: Efird

Analysis Pg. No. 131

Budget Page No. 507

Summary	Agency Request FY 96	Governor's Recommendation FY 96	Senate Subcommittee Adjustments
EXPENDITURES:			
Agency Operations	\$ 187,672,475	\$ 185,207,063	\$ (3,844,230)
Other Operations	966,832,263	960,983,577	0
TOTAL--Reportable Funds	<u>\$ 1,154,504,738</u>	<u>\$ 1,146,190,640</u>	<u>\$ (3,844,230)</u>
Add Nonreportable Bonds	15,083,000	15,083,000	0
TOTAL--All Funds	<u><u>\$ 1,169,587,738</u></u>	<u><u>\$ 1,161,273,640</u></u>	<u><u>\$ (3,844,230)</u></u>
FINANCES:			
State General Fund (SGF)	\$ 100,733,538	\$ 94,871,846	\$ 0
State Highway Fund (SHF)	882,292,471	887,310,477	(3,844,230)
All Other Funds	171,478,729	164,008,317	0
TOTAL--Reportable Funds	<u>\$ 1,154,504,738</u>	<u>\$ 1,146,190,640</u>	<u>\$ (3,844,230)</u>
Add Nonreportable Bonds	15,083,000	15,083,000	0
TOTAL--All Funds	<u><u>\$ 1,169,587,738</u></u>	<u><u>\$ 1,161,273,640</u></u>	<u><u>\$ (3,844,230)</u></u>
FTE Positions	3,304.0	3,304.0	0.0
Special Projects Positions	9.0	9.0	0.0

Agency Request/Governor's Recommendation

The Department of Transportation (KDOT) is divided into four functional programs: Maintenance, Construction, Local Support, and Management. The agency has responsibility for building and maintaining transportation systems. The primary focus has been on the roads and bridges which are part of the State Highway System, a 10,000 mile network of highways. KDOT has a degree of responsibility for the development of all modes of transportation, including roads, aviation, railroads, and public transit. However, the agency's level of involvement varies significantly, and consequently the programmatic structure of the agency tends to reflect the dominance of road construction and reconstruction. KDOT currently is involved in the sixth year of the \$3.3 billion Comprehensive Highway Program, passed by the 1989 Legislature as a projected eight-year undertaking for substantial maintenance, major modifications, priority bridges, and system enhancement projects.

For purposes of expenditures, KDOT expenses may be categorized according to agency operations (those activities undertaken in-house or with limited contractor help) and other operations (either those activities performed by contractors rather than by the agency or financial aid distributed to local units of government).

The KDOT budget request in FY 1996 reflect a net decrease in expenditures totaling almost \$61.6 million (including bonds). Reportable expenditures would increase \$268.8 million, while non-reportable (estimated bond expenditures) would decrease \$330.3 million next fiscal year, hence resulting

in the net decrease for FY 1996 expenditures. Increased financing of \$9.247 million is requested from the State General Fund. Most of the increase (\$249.8 million) in reportable expenditures would be financed from the State Highway Fund in FY 1996.

The Governor recommends a net decrease in FY 1996 expenditures totaling \$67.4 million (including nonreportable bonds). Reportable expenditures would increase \$262.9 million, while non-reportable (estimated bond expenditures) would decrease \$330.3 million next fiscal year, thereby resulting in the net decrease for FY 1996. Increased financing of \$3.385 million, or a 3.7 percent increase over the current fiscal year, is recommended from the State General Fund. The State Highway Fund would provide increased financing of \$254.8 million for reportable expenditures in FY 1996.

Staffing of Agency. The Governor concurs with the agency's requests for staffing for FY 1996, in effect bypassing the current statutory provision on retirements and reestablishing the FTE limitation at 3,304.0 on July 1, 1995, regardless of positions lost due to retirements during FY 1995.

Legislation, sometimes referred to as retrenchment policy, was passed in 1993 as H.B. 2211 (Section 52 of Chapter 227, 1993 *Session Laws of Kansas*), was incorporated into statute as 1993 Supp. K.S.A. 75-6801, and was amended by 1994 H.B. 2597 (Section 29 of Chapter 293, 1994 *Session Laws of Kansas*). The retrenchment policy provides that most state agencies (some are excluded by statute) will lose one-fourth of all positions when those positions become vacant due to retirements. For FY 1994, there was a net reduction of 232.2 FTE positions statewide, with KDOT losing 38.0 FTE positions (16.4 percent of the statewide total) due to retirements. Of a total of 154.0 FTE KDOT retirements, 116.0 FTE were restored by the statutory process, while the remaining 38.0 FTE positions were not restored pursuant to the statutory appeals process.

However, the KDOT authorized FY 1995 FTE limitation which was established by 1994 Senate Sub. for H.B. 2538 (Section 32(b) of Chapter 360, 1994 *Session Laws of Kansas*) provided for a total of 3,304.0 FTE positions on July 1, 1994, in effect ratcheting up the KDOT staff and replacing those positions lost due to retirements in FY 1994. The retrenchment policy as applied to KDOT subsequently began to ratchet down authorized staff as retirements became effective after July 1, 1994.

The following table reflects the FY 1995 and FY 1996 programmatic allocation of FTE positions, based on the agency requests, as recommended by the Governor, compared with actual FY 1994 allocations.

Agency Staffing Requested and Recommended by Governor

<u>FTE Positions by Program</u>	<u>Actual FY 1994</u>	<u>Revised FY 1995</u>	<u>Change FY 1994-95</u>	<u>Estimated FY 1996</u>	<u>Change FY 1995-96</u>
Maintenance	1,572.0	1,569.0	(3.0)	1,569.0	--
Construction	1,107.0	1,117.0	10.0	1,117.0	--
Local Assistance	53.0	53.0	--	53.0	--
Administration	567.0	565.0	(2.0)	565.0	--
Total -- FTE Positions	<u>3,299.0</u>	<u>3,304.0</u>	<u>5.0</u>	<u>3,304.0</u>	<u>--</u>

In addition to the regular positions included in the Governor's recommendations, there are also Special Projects positions identified and recommended in FY 1995 and FY 1996. Ten Special Projects staff are recommended in FY 1995 and nine in FY 1996, which would be in addition to the other 3,304.0 FTE positions.

Senate Subcommittee Recommendations

The Subcommittee concurs with the Governor's recommendations with the following exceptions:

1. Reduce funding for longevity pay (\$1,481,208), 3.0 percent unclassified merit (\$33,251), 1.0 percent classified base increase (\$991,730), and classified step movement (\$1,338,041) as an adjustment to the Governor's FY 1996 recommended expenditures. Total reduction is \$3,844,230 in FY 1996.
2. Note, but make no adjustments relative to three developments pertaining to the 800 MHz statewide radio network. (a) The Joint Committee on Computers and Telecommunications (JCCT) recommends an acceleration of the schedule for completing the multiyear program of building towers and replacing radio equipment. The Subcommittee requests that KDOT develop an alternative schedule based on completing the work in 10 years rather than the eight years recommended by the JCCT. The Subcommittee does not reject the concept of acceleration, but wishes to review the additional information before making any further recommendations since FY 1997 appears to be the earliest that any speedup might be budgeted. (b) KDOT indicates that an additional radio tower site will be needed in Douglas County, with costs of \$180,000 estimated. The agency plans to absorb the unbudgeted expense within its operating budget rather than requesting supplemental expenditure authority. (c) KDOT reports that funding of \$244,500 for Kansas Highway Patrol 800 MHz radios was reduced in the Governor's budget recommendations, but that financing will be reallocated from other parts of its operating budget in order to purchase this equipment.
3. Note that legal counsel for the Mid-States Port Authority wrote the Subcommittee regarding a proviso in the FY 1996 appropriations bill. The proviso, which originally was included in last year's appropriation passed by the 1994 Legislature, provides for the Secretary of Transportation to guarantee the Port Authority's debt through a line item appropriation. Revenue refunding bonds issued by the Port Authority and dated May 1, 1994, have a face amount of \$4,975,000, with an average interest rate of 7.88 percent. In actuality, only one bond was issued in the principal amount of \$4,975,000 and it was purchased by the Pooled Money Investment Board on behalf of KDOT. The line item appropriation and proviso are requested annually in an appropriations bill in order to continue the state's guarantee and to provide for the repayment mechanism in case of default by the Port Authority.
4. Comment on the retrenchment policy concerning retirements and its impact on KDOT. The Subcommittee observes that the Governor's recommendation in FY 1996 to ratchet up the KDOT FTE limitation to 3,304.0, effective July 1, 1995, replicates the Subcommittee's recommendation for FY 1994. In practical terms,

the agency loses FTE positions during the period of each fiscal year. At the beginning of the fiscal year, the KDOT positions lost due to retirements are restored by appropriations act on the first day of each subsequent fiscal year. This practice bypasses the retrenchment policy to cut one-fourth of the positions lost due to retirements. The Subcommittee understands that KDOT has special needs during the multiyear Comprehensive Highway Program and that the loss of staff could endanger its ability to complete the program successfully. Although some agencies have been granted exemption from the retrenchment policy (such as the Medical Center and the Mental Health and Retardation Institutions), the Subcommittee believes that this restoration method for KDOT that restores annually any lost positions allows for the tracking of retirements and for the agency to plan future reductions proportionate to its retirements which normally would have been lost in the year which they occurred. It is further noted that the Secretary is preparing an attrition plan in order to phase out a substantial number of the 108.0 FTE positions added for the Comprehensive Highway Program in 1989, and that this attrition plan will incorporate the "retired" positions as well.

The Subcommittee points out that the KDOT vacancy rate for the first six months of FY 1995 averaged 6.7 percent. Prior to the enactment of the retirement legislation, the KDOT average vacancy rate during FY 1992 was 2.7 percent.

5. Inform those interested in the bond letting associated with the Comprehensive Highway Program about the status of the bonds and the repayment schedule for amortizing principal and interest over the life of the bonds.

Comparison of Debt Service Requirements Including Incremental Investment Earnings between the 1992, 1992A, 1993, 1993A, 1994, 1994A and 1994B Highway Bond Issues and the Projections Made During the 1989 Legislative Session

	Assumed Bond Issue During the 1989 Legislature	Actual Bond Issues \$890 Million
Issue Date(s)	July 1, 1994 July 1, 1995 July 1, 1996	March 17, 1992 September 23, 1992 May 5, 1993 May 20, 1993 January 12, 1994 September 21, 1994 October 19, 1994
Amount(s)	\$ 150,000,000 275,000,000 465,000,000	\$ 250,000,000 125,000,000 250,000,000 147,405,000 To refund a portion of the 1992 bonds 125,000,000 50,000,000 90,000,000 Variable rate bonds, initial rate 3.05%
Interest Rate	8.25%	6.46% 5.94% 5.42% 5.71% 4.85% 5.88% Variable

	H.B. 2014 Debt Service and Costs	Actual Debt Service	Incremental Investment Earnings*	Difference (Loss) Savings
FY 1993		\$ 20,570,529	\$ 25,009,766	\$ 4,439,237
FY 1994		32,801,298	39,194,792	6,393,494
FY 1995	\$ 7,781,578	45,083,213	36,075,625	(1,226,010)
FY 1996	29,829,382	58,310,538	15,673,813	(12,807,343)
FY 1997	68,218,501	62,794,750		5,423,751
FY 1998	92,341,393	58,588,568		33,752,825
FY 1999	92,341,393	74,376,918		17,964,475
FY 2000	92,341,393	85,656,668		6,684,725
FY 2001	92,341,393	85,684,441		6,656,962
FY 2002	92,341,393	85,707,228		6,634,165
FY 2003	92,341,393	85,747,455		6,593,938
FY 2004	92,341,393	85,773,303		6,568,090
FY 2005	92,341,393	85,821,724		6,519,669
FY 2006	92,341,393	85,836,772		6,504,621
FY 2007	92,341,393	85,849,118		6,492,275
FY 2008	92,341,393	85,901,129		6,440,284
FY 2009	92,341,393	85,945,548		6,395,845
FY 2010	92,341,393	85,936,209		6,405,184
FY 2011	92,341,393	85,984,866		6,356,527
FY 2012	92,341,393	86,097,550		6,243,843
FY 2013	92,341,393	61,423,056		30,918,336
FY 2014	92,341,393	25,192,500		67,148,893
FY 2015	84,559,815	13,476,750		71,083,065
FY 2016	62,512,010			62,512,010
FY 2017	24,122,892			24,122,892
TOTAL	<u>\$ 1,846,827,859</u>	<u>\$ 1,568,560,131</u>	<u>\$ 115,953,996</u>	<u>\$ 394,221,753</u>

* Incremental Investment Earnings are estimated. Actual incremental investment earnings are a function of future interest of future interest and actual construction payments.

6. Present a brief review of the KDOT performance objectives which pertain to the Comprehensive Highway Program in order to inform legislators about the progress in completing this \$3.3 billion program.

PROJECTS LET

	Average FY 1990-94		Percent Let	
	Anticipated H.B. 2014	Actual FY 1990-94	Anticipated H.B. 2014	Actual FY 1990-94
Major Modification Program				
Interstate miles	23.0	15.3	68.82%	62.70%
Associated bridges	26.2	20.2	77.51	65.58
Noninterstate miles	160.2	211.6	48.22	68.02
Associated bridges	31.2	40.0	50.32	64.48
Other set-aside miles	0.0*	8.7	0.0*	59.54
Number of projects	0.0*	56.4	0.0*	65.28
Priority Bridge				
Number of bridges/projects	19.4	29.8	57.06%	82.78%
System Enhancement Program				
Interchange/separation miles	0.0*	0.5	0.0*	67.65%
Corridor miles	0.0*	2.2	0.0*	24.29
Bypass miles	0.0*	2.7	0.0*	31.89
Number of projects	0.0*	2.6	0.0*	39.39
Substantial Maintenance				
Miles to resurface	1,000.0	1,303.7	62.50%	67.23%
Bridges to repair	0.0*	42.2	0.0*	62.61
Bridges to repaint	0.0*	20.8	0.0*	56.22
Number of projects	0.0*	262.6	0.0*	66.85

* No H.B. 2014 estimate was made for this category.

PROJECTS COMPLETE

	<u>Average</u> <u>FY 90-94</u>	<u>Percent</u> <u>Completed</u> <u>FY 90-94</u>	<u>Estimate</u> <u>FY 95</u>	<u>Estimate</u> <u>FY 96</u>	<u>Average</u> <u>FY 95-2000</u>
Substantial Maintenance					
Miles Resurfaced	1,092.1	53%	1,140.8	1,026.9	NA
Bridges Repaired	30.8	46%	46.0	0.0	NA
Bridges Repainted	20.2	55%	21.0	0.0	NA
Number Projects	191.2	49%	229.0	26.0	NA
Major Modification					
Miles	157.2	45%	219.1	220.0	162.8
Bridges	26.0	24%	102.0	96.0	69.7
Set Aside Miles	6.3	43%	9.5	11.2	7.0
Number Projects	45.0	52%	72.0	47.0	34.5
Priority Bridges					
Number Projects	19.4	54%	16.0	8.0	13.8
System enhancement					
Interchange/Separation	0.4	56%	0.0	0.0	0.3
Corridor Miles	1.0	11%	21.4	13.2	8.8
Bypass Miles	0.9	11%	21.4	1.4	5.8
Number Projects	1.4	21%	16.0	2.0	4.3

The Subcommittee would like to commend KDOT for its work on performance measures and for the accomplishments associated with the Comprehensive Highway Program, especially the bond letting activities.