Approved: 2/20/96
Date

MINUTES OF THE HOUSE COMMITTEE ON TRANSPORTATION.

The meeting was called to order by Chairperson Kenneth King at 1:30 p.m. on February 13, 1996 in Room 526-S of the Capitol.

All members were present except:
Representative Delbert Crabb, excused
Representative Tony Powell, excused

Committee staff present: Hank Avila, Legislative Research Department
Tom Severn, Legislative Research Department
Bruce Kinzie, Revisor of Statutes
Ellie Luthye, Committee Secretary

Conferees appearing before the committee:
Dean Carlson, Secretary of Transportation
Patrick J. Hurley, Economic Lifelines

Others attending: See attached list

The Chair presented the minutes for the Transportation Committee for February 6th, 7th, 8th and 12th. Representative Dillon made a motion to accept the minutes as presented, seconded by Representative Humerickhouse and the motion carries.

Chairman King called on Secretary of Transportation Dean Carlson to give an overview of the Department. He reviewed the status of the comprehensive highway program and future transportation needs. He stated that after the Comprehensive Highway Program was completed there would still be 1,750 miles of highway with deficient shoulder widths, 3,650 miles with deficient shoulder type, 7,240 miles of non-interstate highway pavement that is older than 20 years and 375 miles of interstate, and 395 bridges with significantly deficient conditions and 410 with critically deficient width. He concluded funds are still adequate to finance agency operations and all program components of the Comprehensive Highway Plan through FY 1997 and construction contracts let in FY 1997 are expected to be completed and paid for by the end of FY 2000.(Attachment 1)

Patrick Hurley, Economic Lifelines, stated the program came into existence in the mid 80's in response to the growing concern over the rapid deterioration of the Kansas highway system and the state's financial inability to do anything about it. In response to this growing crisis, Economic Lifelines joined KDOT and the Governor to work with the Legislature to enact the public works program in 1989 known as the Comprehensive Highway Program. He also referred to a study done by The Road Information Program (TRIP) of Washington, D.C. and Dr. Darwin Daicoff, Professor Emeritus at the University of Kansas who were commissioned to analyze the actual benefits to the citizens of the state from this program. This study concluded there was a direct correlation between the increase in highway investment by KDOT and the improved performance of the state's economy. He concluded that Economic Lifelines believes that the 1989 highway program has been widely acknowledged by the general public as the single most successful program by Kansas state government in recent times and for once, state government delivered to Kansas communities exactly what it promised, with the programs completed and paid for, and the Kansas citizens and communities across the state are the beneficiaries. (Attachment 2)

A letter was distributed to the committee from Michael Rees, Chief Counsel for the Department of Transportation, in response to his opinion regarding **HB 2679**, concerning permits for oversize and overweight vehicles, which had been requested by Representative Pauls. (Attachment 3)

The Chair adjourned the meeting at 2:50 p.m.

The next meeting is scheduled for February 14, 1996.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

HOUSE TRANSPORTATION COMMITTEE GUEST LIST

DATE: February 13, 1996

NAME	REPRESENTING
Bill Watts	KDOT
Lina Brown	Peterson Public Affairs group.
Bob Corkins	KCCI
Woody Moses	Ks. Aggregate Prod. Assn.
Kayla Keating	Ks. Aggregate Prod. Assn.
Secretary Dean Carlson	KDOT
Nancy Bogina	KDOT
Bob Totten	Ks Contractors Association
Dick Kistner	Hall Bros. Const. Co., Inc.
Butch Spray	Venture Corporation
Patrick J. Hurley	Economic Lifelines

AGENCY BRIEFING

Presentation to the

House Committee on Transportation

February 13, 1996

Kansas Department of Transportation

House Transportation Committee
February 13, 1996
Attachment 1

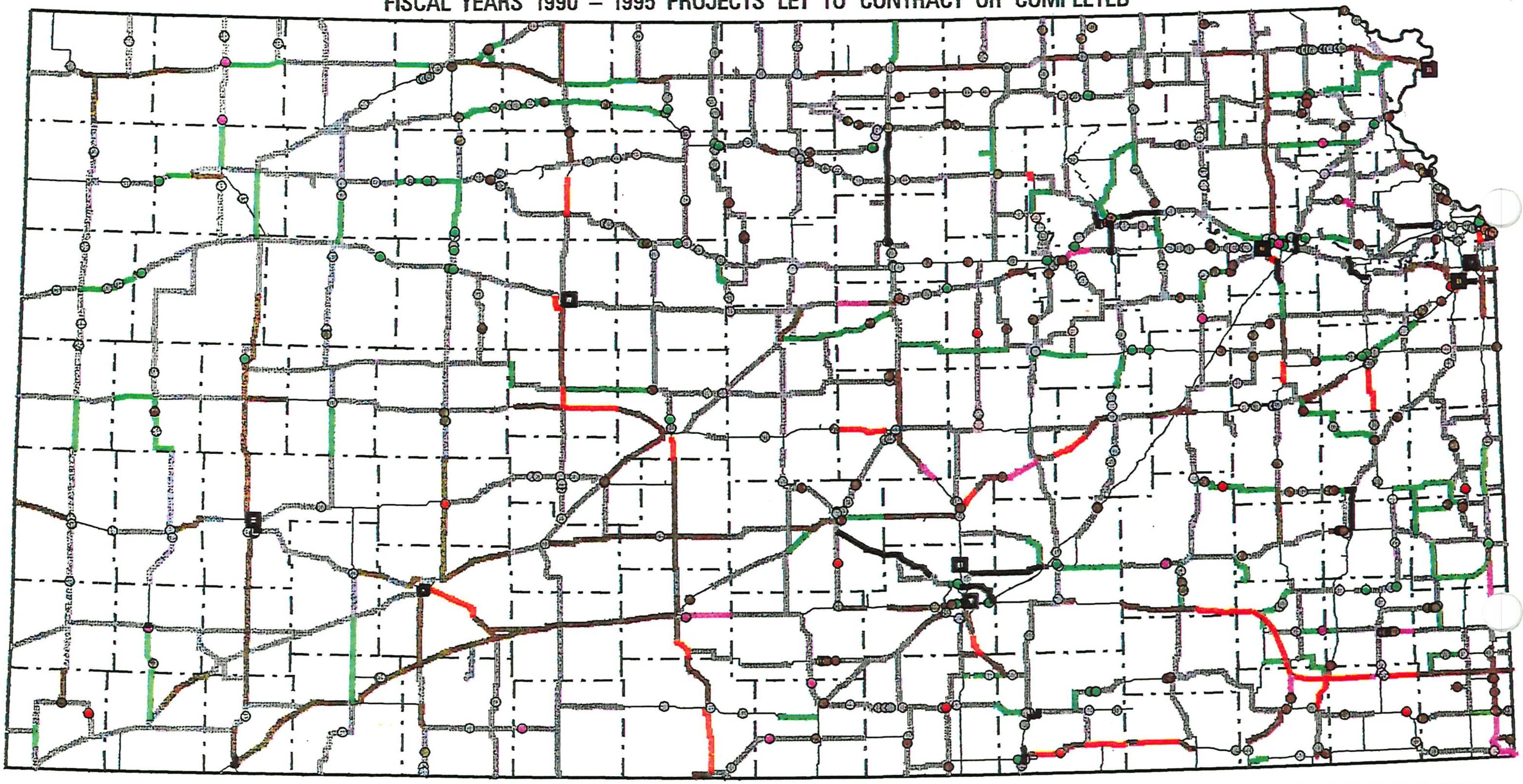
STATUS OF THE COMPREHENSIVE HIGHWAY PROGRAM

KANSAS COMPREHENSIVE HIGHWAY PROGRAM

FISCAL YEARS 1996 – 1997 PLAN

FISCAL YEARS 1991 – 1997 SYSTEM ENHANCEMENT PROJECTS

FISCAL YEARS 1990 – 1995 PROJECTS LET TO CONTRACT OR COMPLETED



SUBSTANTIAL MAINTENANCE PROJECTS

- 1990 – 95 ROADWAY
- 1990 – 95 BRIDGE
- 1996 ROADWAY
- 1996 BRIDGE

SYSTEM ENHANCEMENT PROJECTS

- 1991–1997 ROADWAY
- 1991–1997 INTERCHANGE /SEPARATION

MAJOR MODIFICATION AND PRIORITY BRIDGE PROJECTS

- 1996 ROADWAY
- 1996 PRIORITY BRIDGES
- 1997 ROADWAY
- 1997 PRIORITY BRIDGES
- 1990 – 1995 MAJOR MODIFICATION AND PRIORITY
- BRIDGE PROJECTS LET TO CONTRACT OR COMPLET

1-3

Substantial Maintenance Program:

- 22% of the 8-year construction expenditures
- Over 9,500 miles total
- Over 450 bridges and culverts
- Approximately 2,000 projects

5/31/1995

Major Modification Program:

- 54% of the 8-year construction expenditures
- 130 miles of Interstate & 165 bridges
- 1,641 miles of non-Interstate and 399 bridges
- Approximately 450 projects

5/31/1995

Priority Bridge Program:

- 5% of the 8-year construction expenditures
- 188 bridges

5/31/1995

System Enhancement Program:

- 19% of the 8-year construction expenditures
- $896 million total project cost, including $175 million local funds
- 33 projects
  (18 corridors, 8 interchanges, 7 bypasses)
- 12 projects under construction
  9 projects are yet to be let
  12 projects completed and open to traffic

11/1995

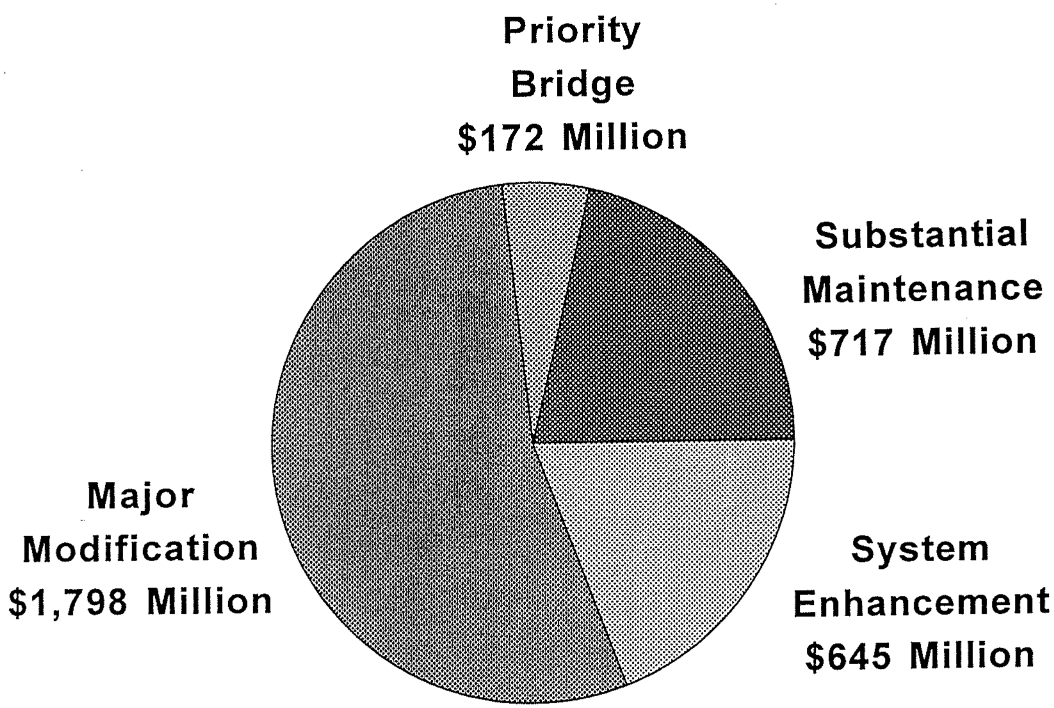
Other Requirements:

- $2.5 million to be expended in each county
- $390,000 per year dedicated to improve the mobility of the disabled and elderly
  - increased to $1 million in 1994
- Increase in Special City and County Highway Fund and City Connecting Link payments

5/31/1995

Kansas Comprehensive Highway Program

Estimated Construction Cost
FY 1990 - 1997



Total - $3.33 Billion

5/31/1995

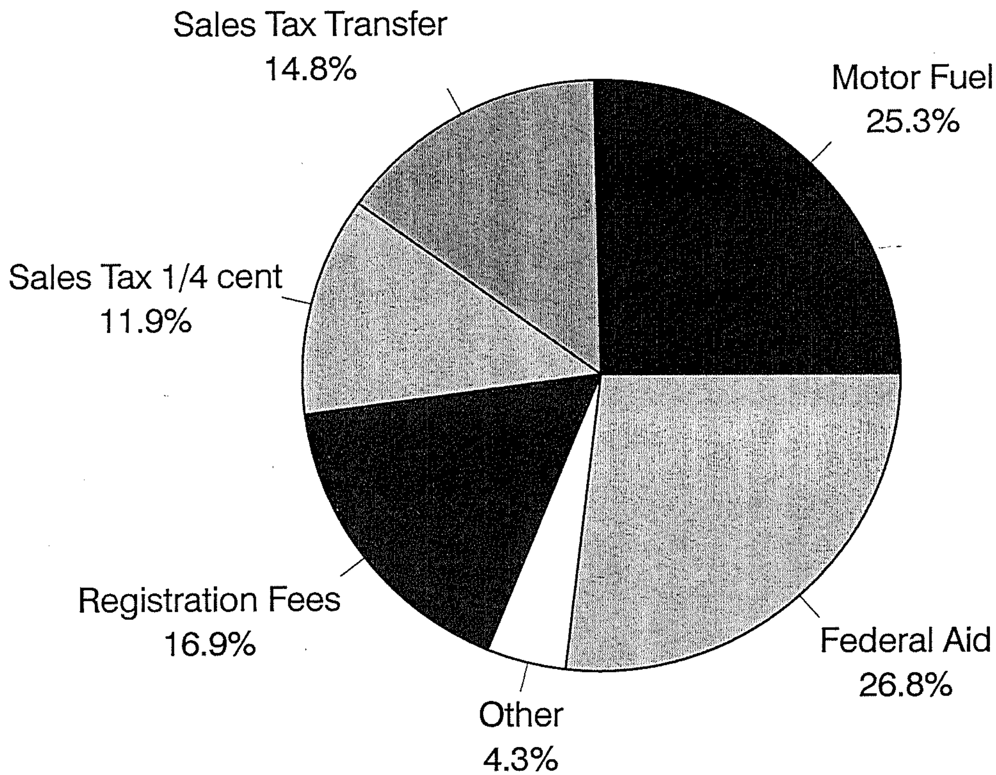
PLANNING FOR
FY 1998 - 2000

INTERIM PROJECTS
AND
PLAN PRODUCTION

State Highway Fund Revenues Including Federal-Aid

Kansas Department of Transportation

FY 1998 - 2000

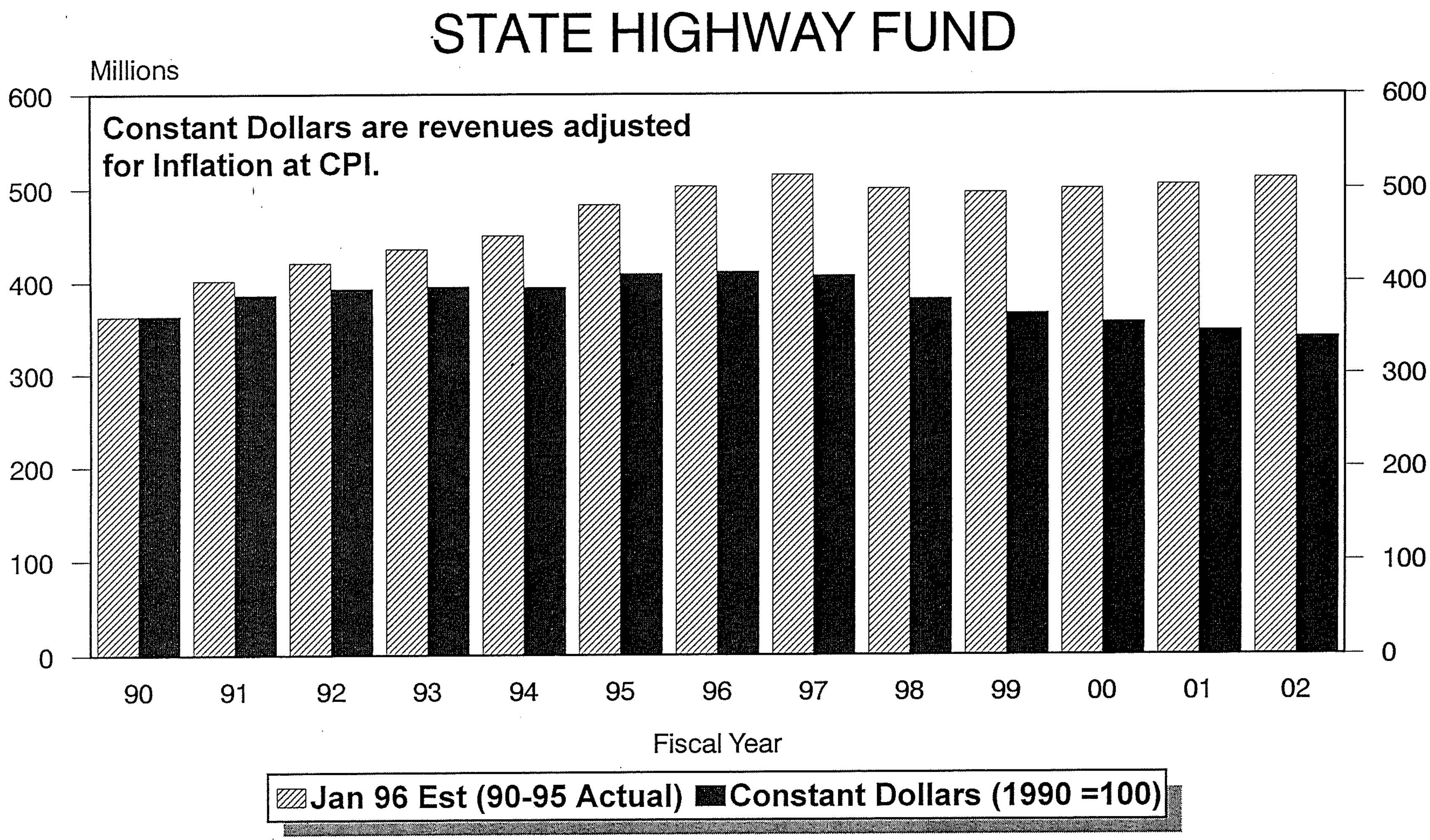


Anticipated Cash Flow

1/9/1996

State Revenues

Before Federal Reimbursements & Bond Sales

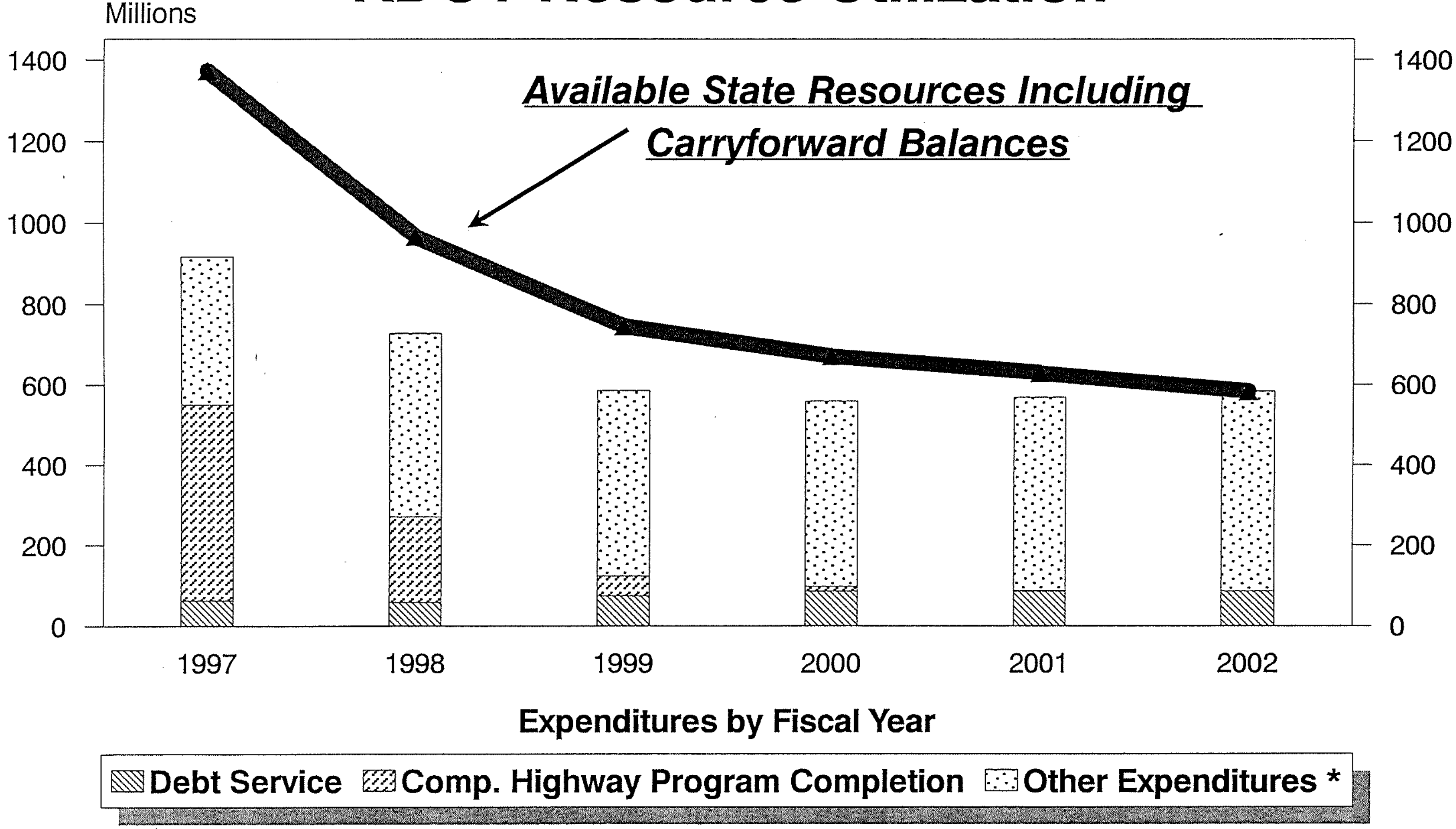


Excludes Federal & Local Reimbursements and Federal Aid to Locals in the Restricted Fees Fund
Includes Motor Fuel Taxes deposited in the State Freeway Fund

1/9/1996

I-12

Projected
KDOT Resource Utilization

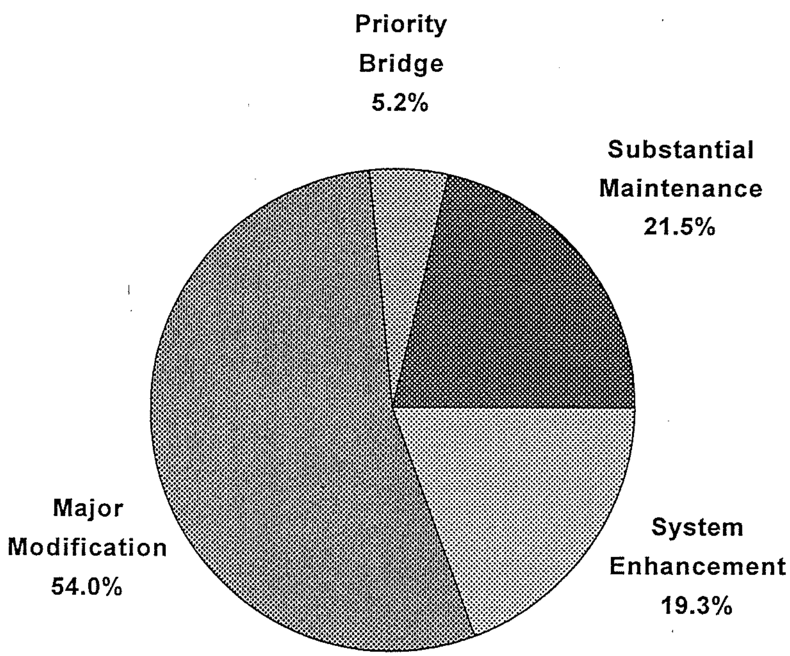


* Other Expenditures includes Agency Operations, Transfers and Buildings for FY 1997 and subsequent years; Substantial Maintenance Contracts let in FY 1998 and thereafter and State funds required to match Federal Aid on projects let in FY 1998 and subsequent years.

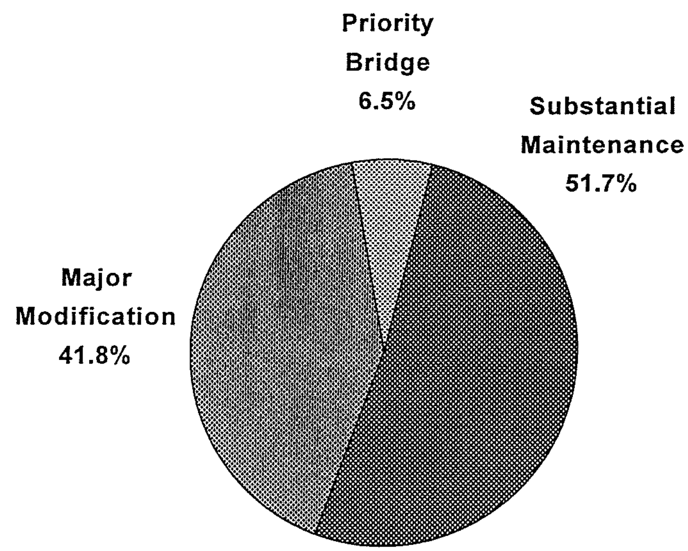
1/9/1996

Note: Federal Reimbursement has been netted against construction expenditures.

Comparison of Estimated Construction FY 1990-2000



1990-1997 Annual Average
$416.4 Million
(Constant Dollars $362.9 Million)



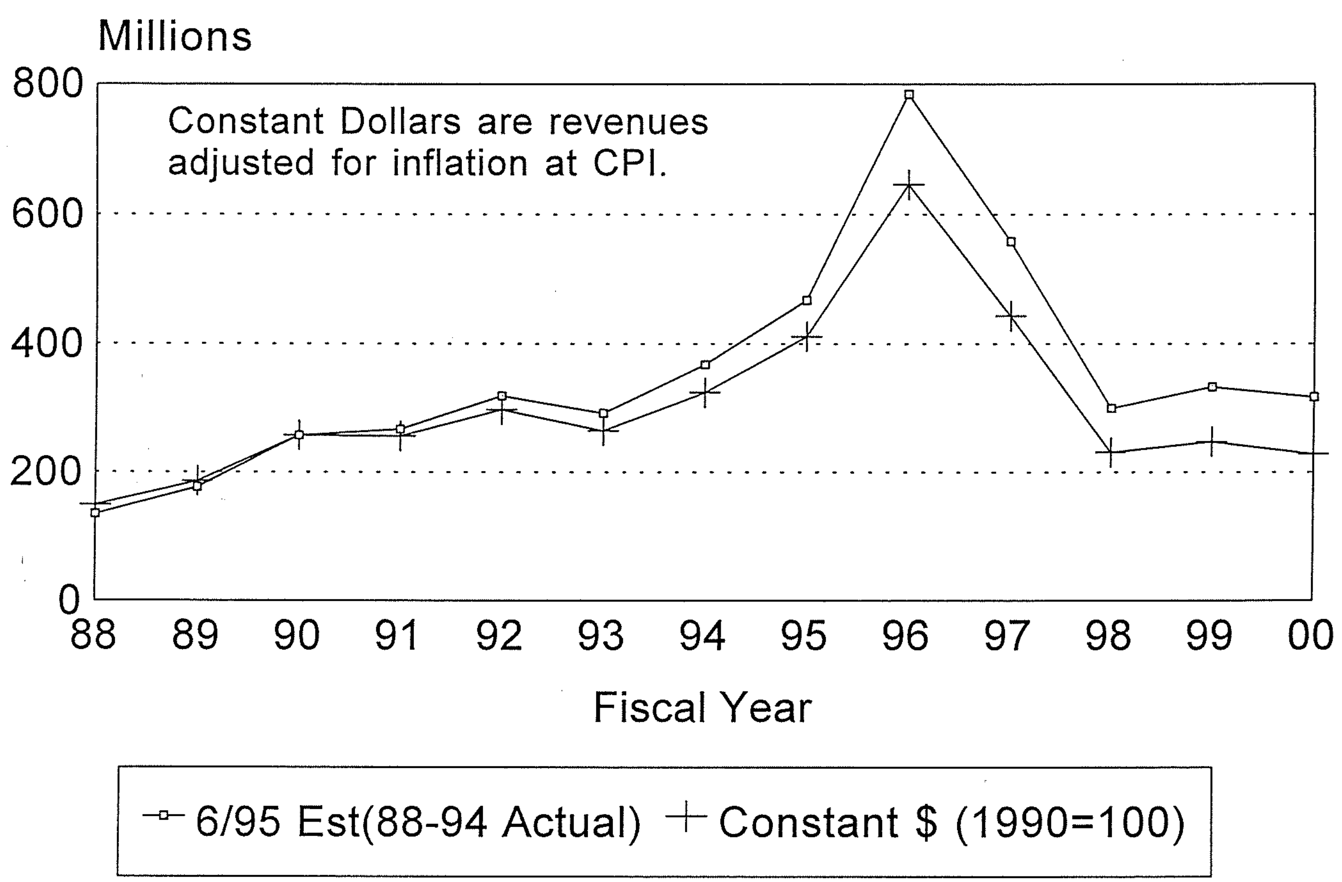
1998-2000 Annual Average
$317.2 Million
(Constant Dollars $235.5 Million)

5/31/1995

1-14

Comparison of Total Construction

FY 1988-2000



5/31/1995

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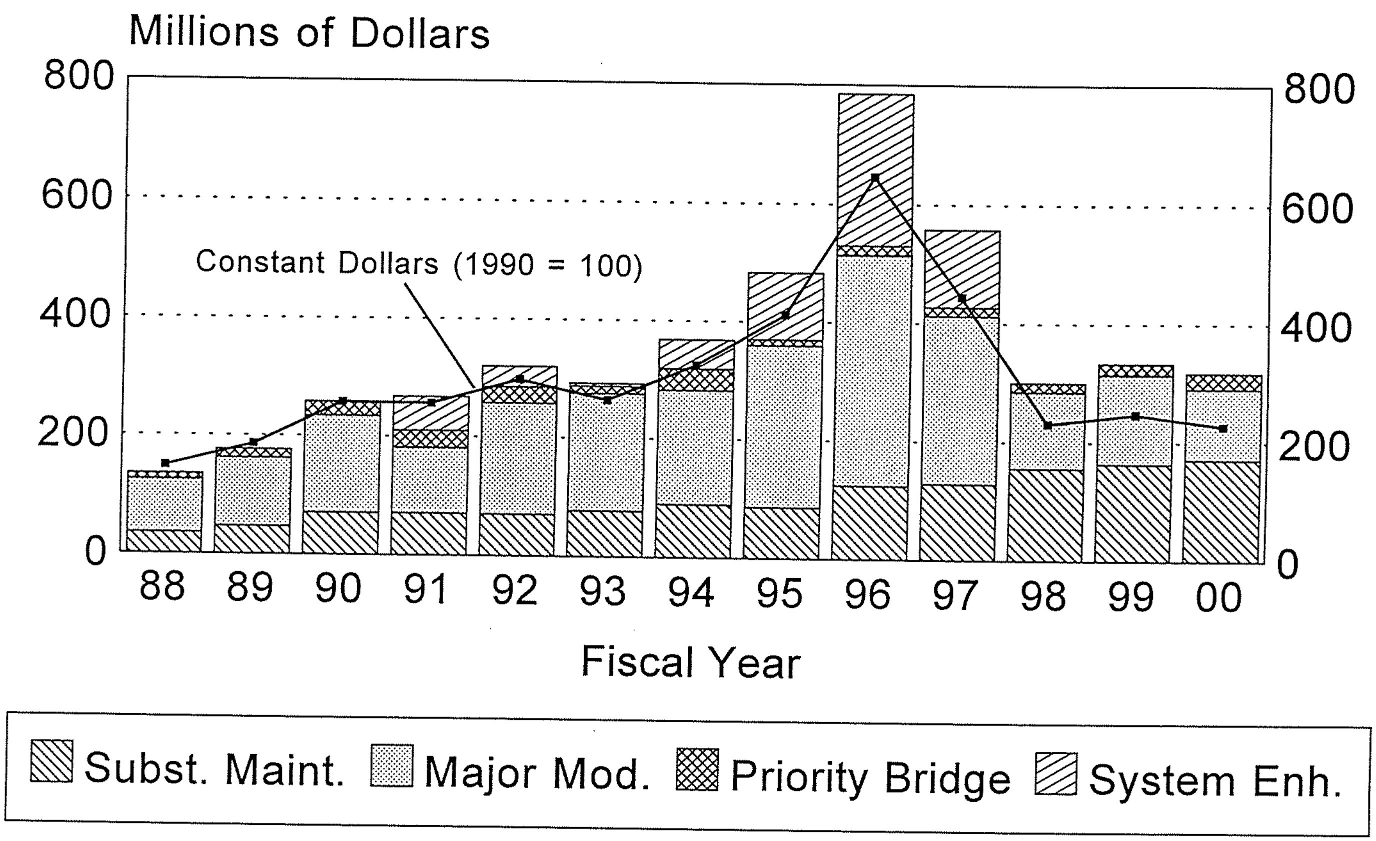
Comparison of Total Construction

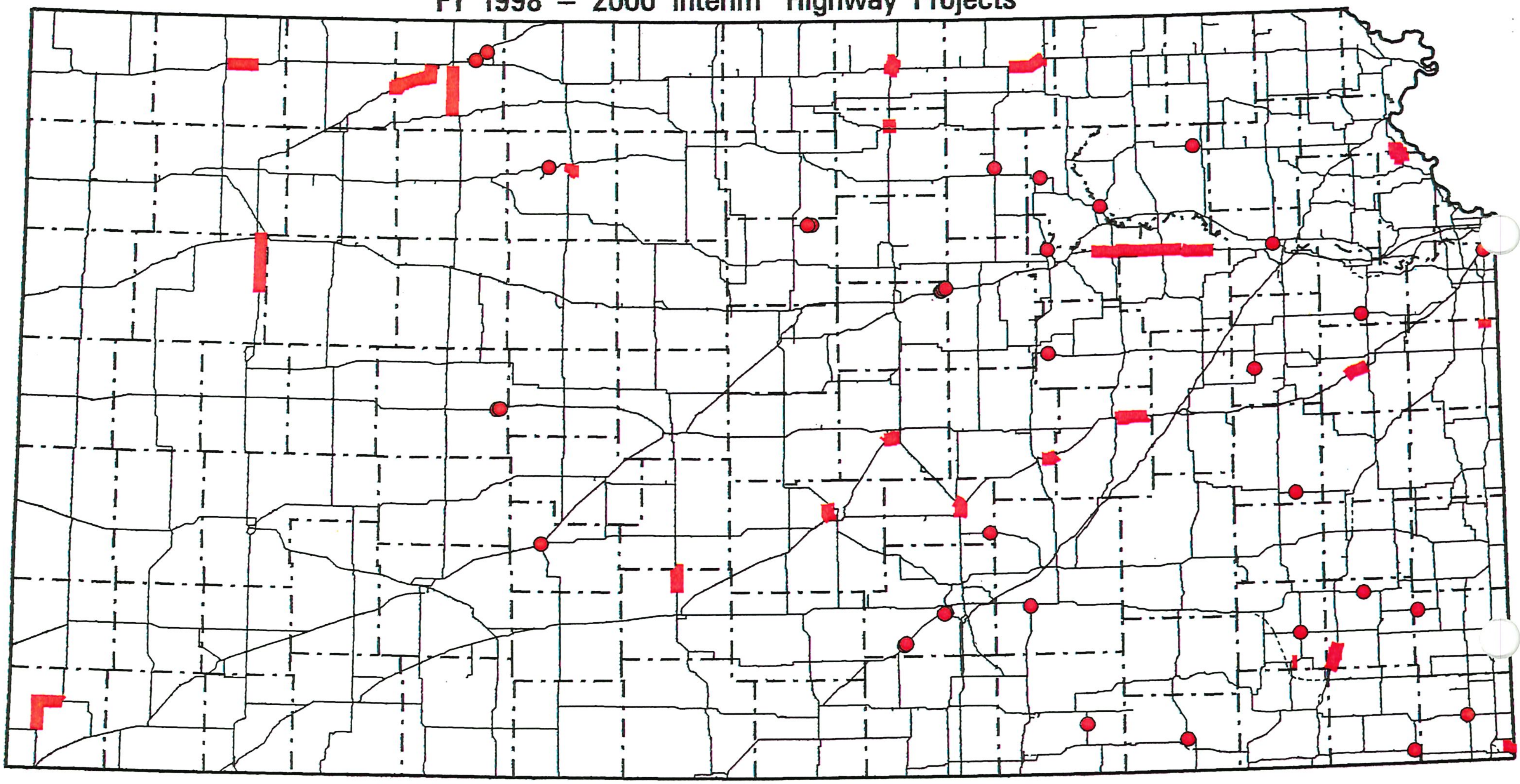
FY 1988-2000



5/31/1995

Constant Dollars are revenues adjusted for inflation at CPI.

FY 1998 – 2000 Interim Highway Projects



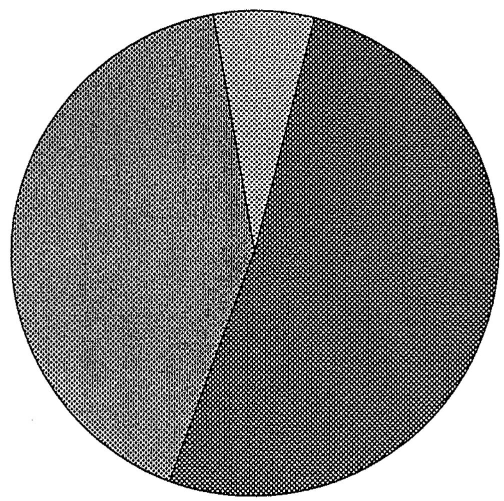
1998 – 2000 Major Modification

1998 – 2000 Priority Bridge

1-17

Interim Highway Projects

Estimated Construction Cost
FY 1998 - 2000

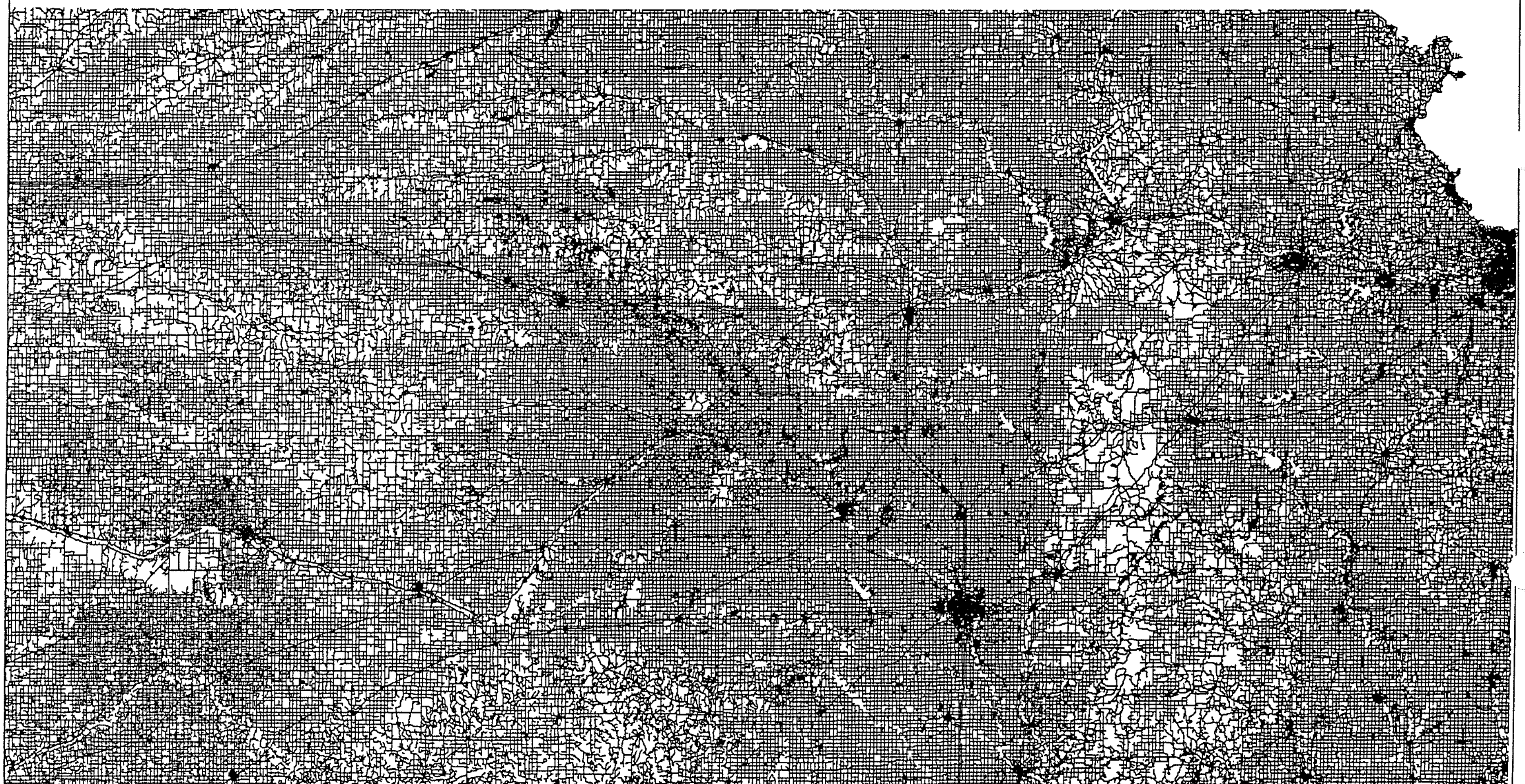


Total - $952 Million

5/31/1995

Future Transportation Needs

All Roads in Kansas - 1990



1-20

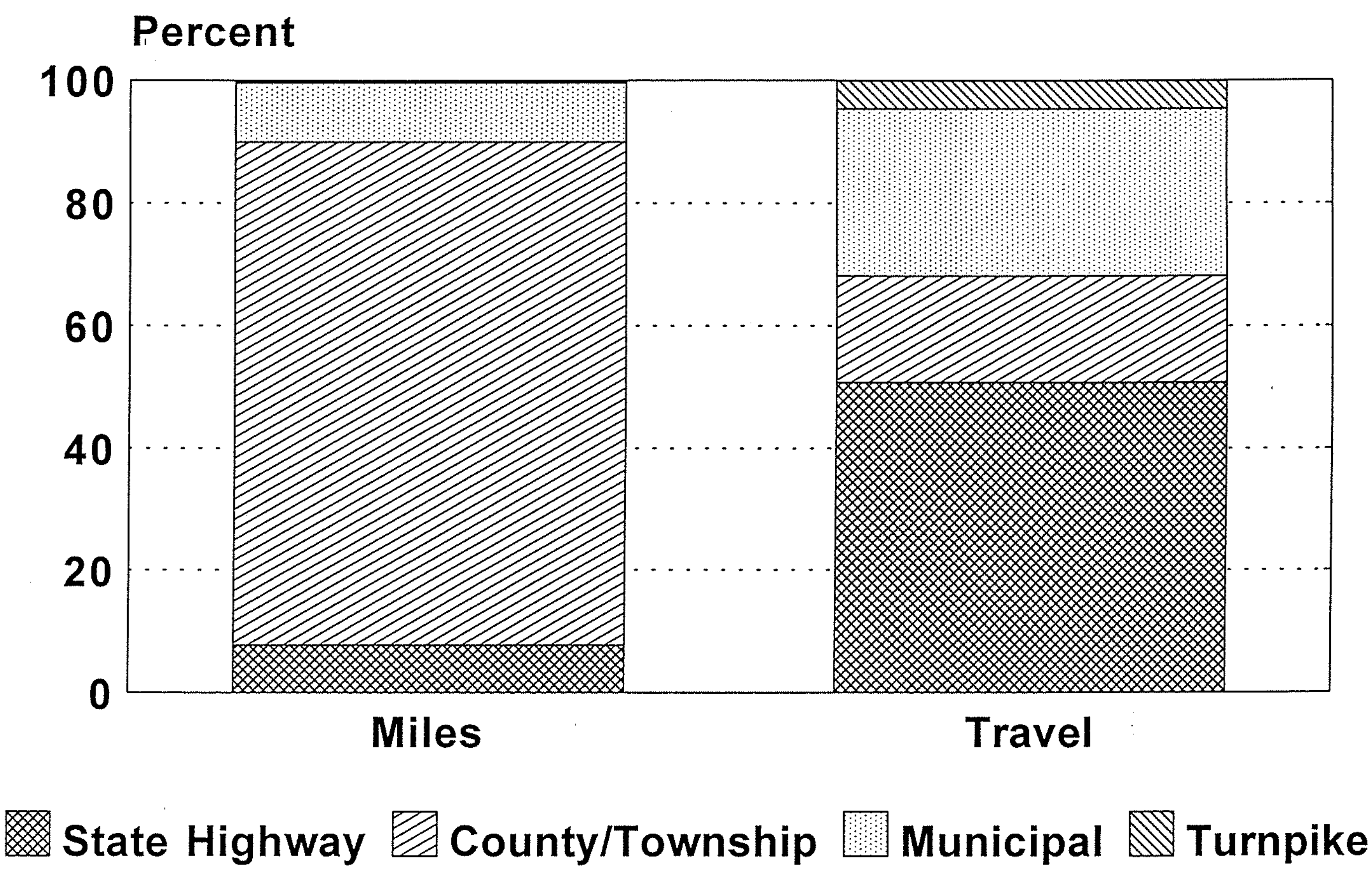
COMPARISON OF PUBLIC ROAD MILES & POPULATION

State	Public Road Miles: Ranking	Public Road Miles: Miles	1990 Population
Texas	1	294,142	16,986,510
California	2	169,201	29,760,021
Illinois	3	136,965	11,430,602
Kansas	4	133,257	2,477,574

1993 Data

1-21

Kansas Public Road Miles
Percent by Jurisdiction -1993



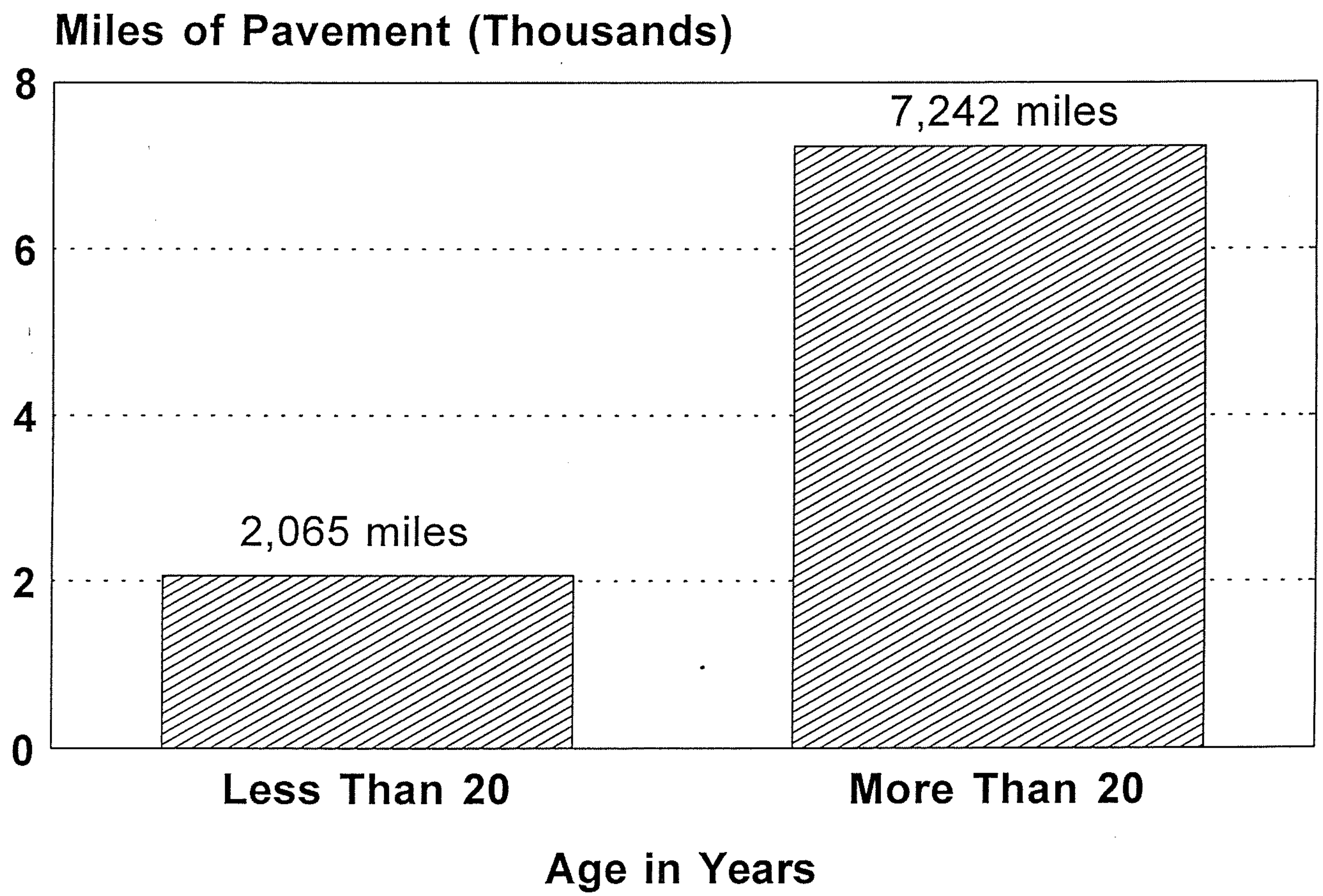
12/28/1994

Deficiencies on the State System after CHP:

- Deficient Shoulder Width - 1,750 miles
- Deficient Shoulder Type - 3,650 miles
  - Full width paved - 240 miles
  - 3 feet paved - 3,410 miles
- Pavement older than 20 years
  - Non-Interstate - 7,240 miles
  - Interstate - 375 miles
- Bridge Needs
  - Significantly deficient conditions - 395
  - Critically deficient width - 410

5/31/1995

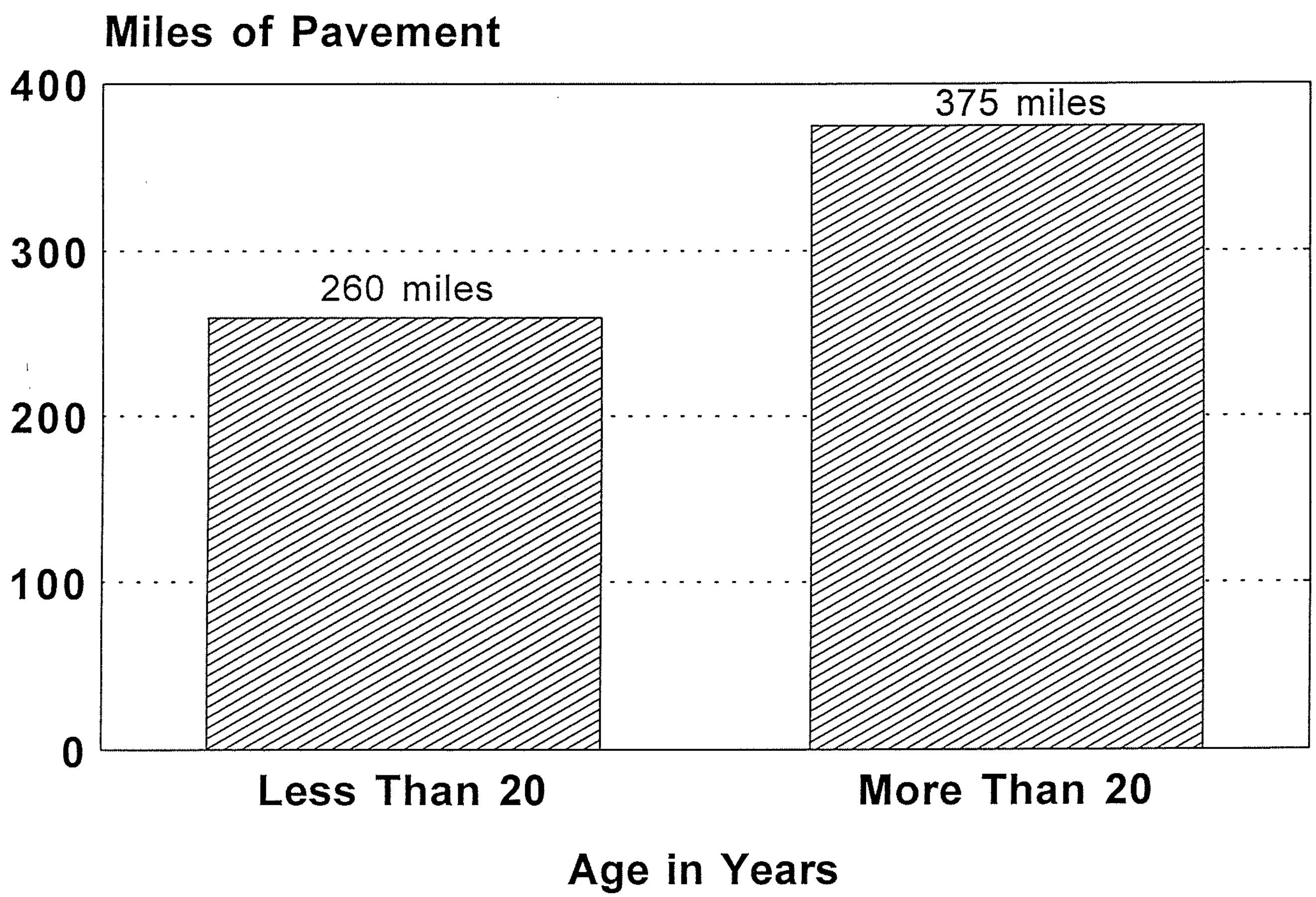
Age of Non-Interstate Pavement*



*Includes all projects in CHP

12/28/1994

Age of Interstate Pavement*



*Includes all projects in CHP
12/28/1994

1-25

Bridge Needs:

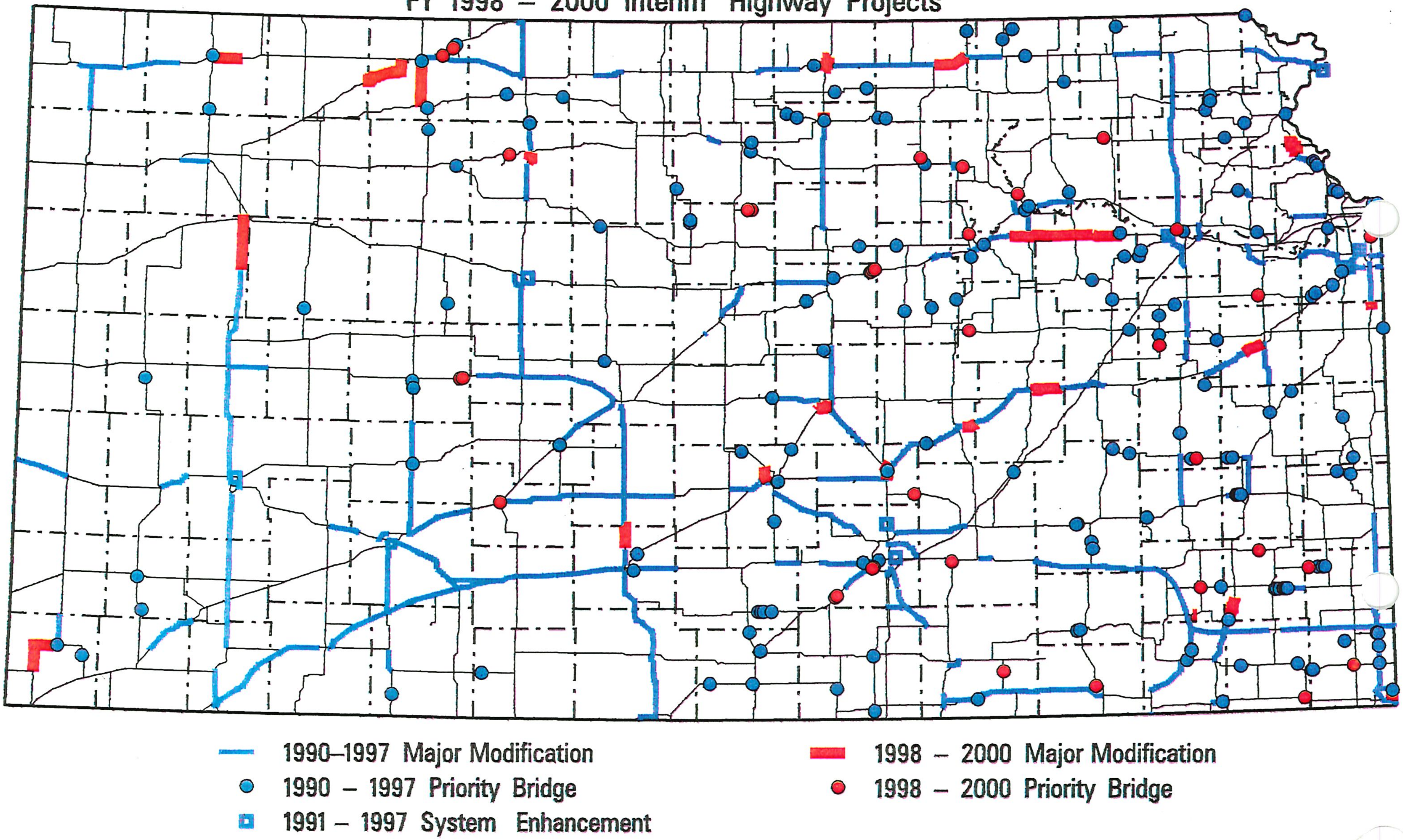
3,153 Span Bridges on the State Highway System

- Age of Bridges (After CHP)
  - 387 bridges over 50 years old
  - 620 bridges with 10 years or less of remaining life
- Bridge Decks
  - 723 bridge decks over 30 years old
  - 715 bridge decks with 10 years or less of remaining life

12/28/1994

FY 1990 – 1997 Kansas Comprehensive Highway Program

FY 1998 – 2000 Interim Highway Projects



1-27

Revenues, Expenditures, and Ending Balances

Additional KDOT Expenditures
(In Millions)

Project Expenditures	$130			
Agency Operations (including agency local support and buildings expenditures	$(56)			
Total Program Expenditures (represents approximately a 1.5% increase over 1989 projections)	$74		$74	
Transfer to Freeway Fund to Provide Early Retirement of Freeway Bonds		$92		
Additional Transfers to Others		$33		
Debt Service for Early Bonding (This expenditure is essentially cancelled out by additional Interest earnings)		$115		
Unanticipated/reschedued financial transactions		$240	$240	
Total Increase in Agency-related Expenditures			$314	$314
Payments for Local Construction Projects. Represents an increase due to a change in method of accounting for such projects				$259
Total additional expenditures identified by Legislative Post Audit				$573

Use of Additional Revenues

(In Millions)

Spent on agency-related expenditures	$314	
Spent on Local Construction Projects (Now reflected as an expenditure because a change in the method of accounting reflects local funds as receipts)	<u>$259</u>	
Total expended through June 30, 1997	$573	$573
Increase in ending balance as of June 30, 1997		<u>$322</u>
Total additional revenues identified by Legislative Post Audit		<u>$895</u>

1-30

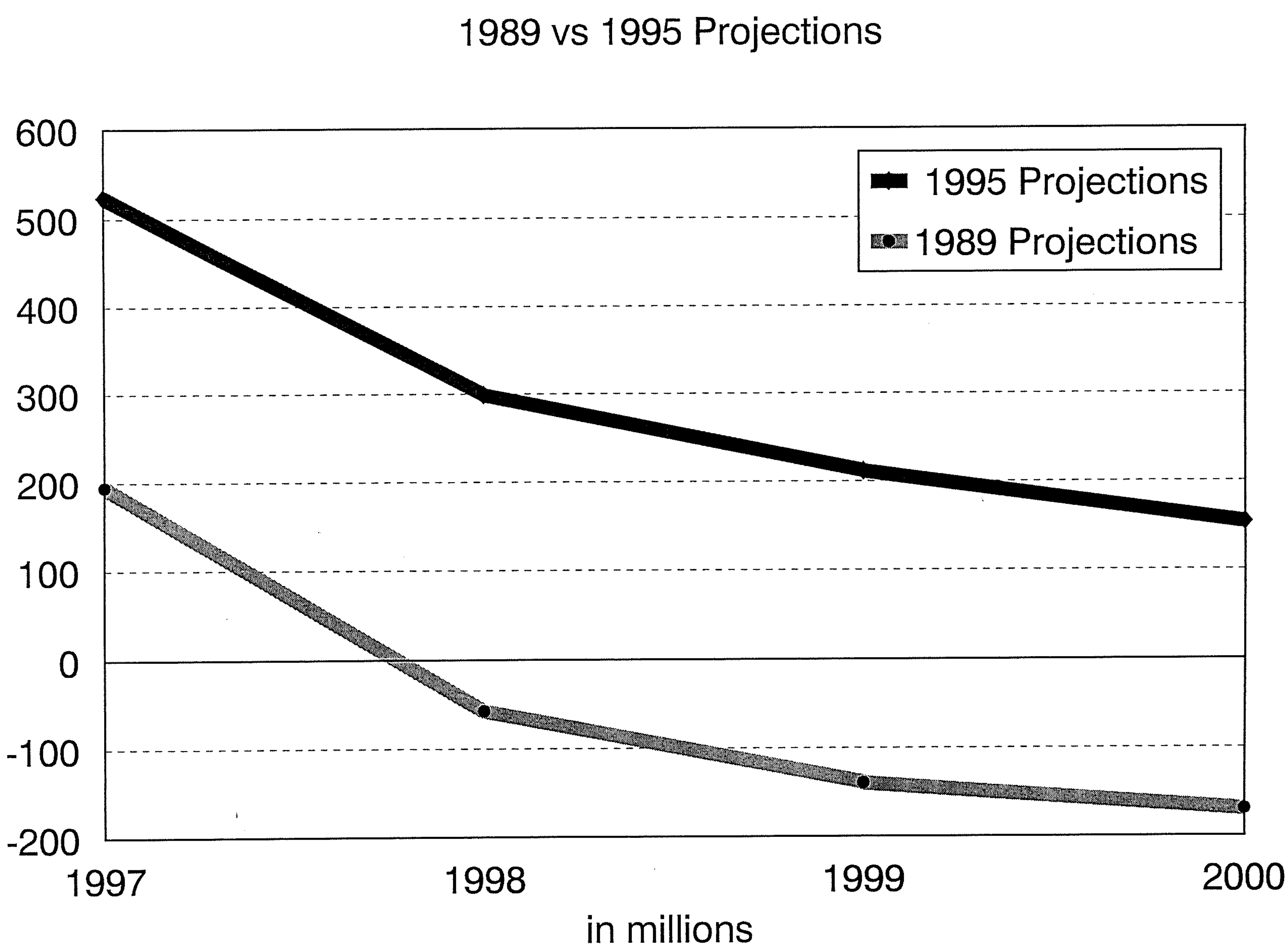
Ending Balance as of June 30, 1997

(In Millions)

Ending Balance -- Projected in 1989	$194
Increase in Revenues over Expenditures	$322
Change in Originally Projected Beginning Balance ($6) and rounding differences	$8
Ending Balance*	$524

*as projected at the time of the Legislative Post Audit Report

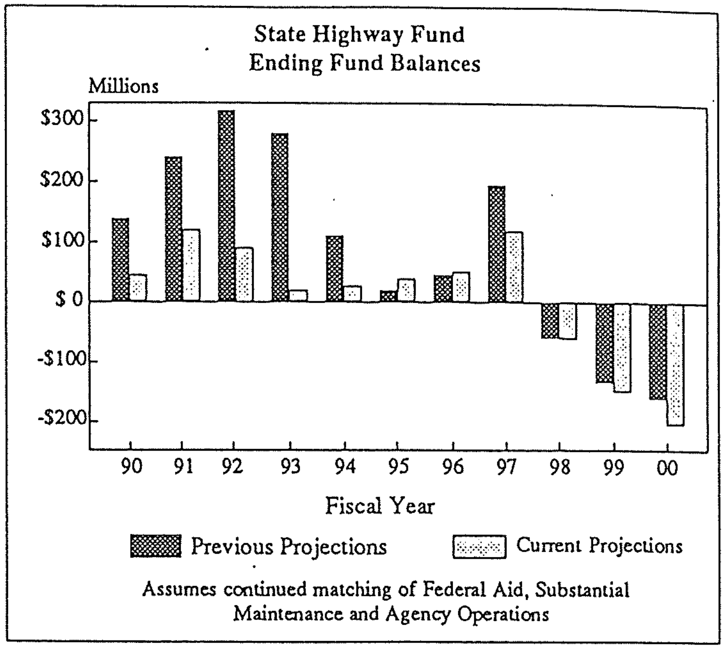
Cumulative Excess/Revenues over Expenditures

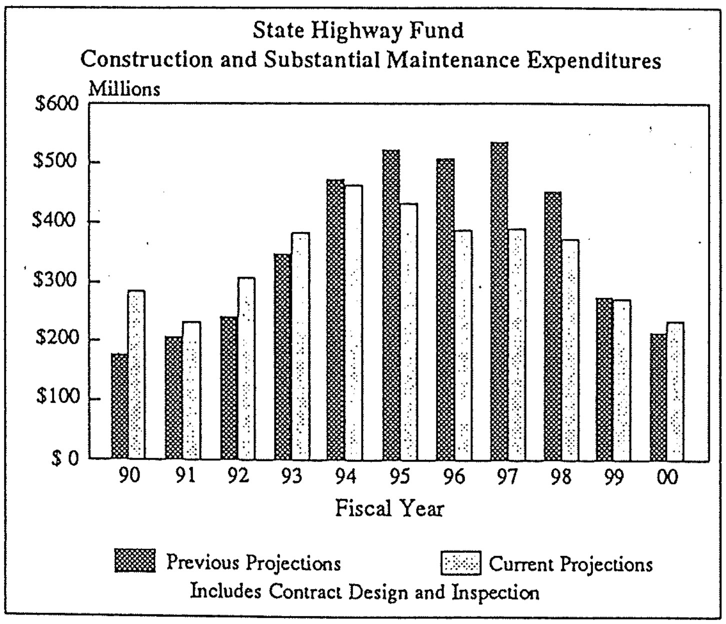


1-32

this ongoing evaluation as well as the previously discussed "fast track" projects is reflected in the revised construction expenditure estimates. The following chart compares the previous projections with the current projections and as can be seen shows the smoothing of construction expenditures that have been discussed.

Current projections for anticipated revenues and agency expenditures continue to indicate that the agency is fully funded through FY1997 and that sufficient funds will be available to complete all projects initiated under the Comprehensive Highway Program.





ENDING BALANCES

Previously anticipated build up in cash balances are currently not anticipated to occur because of lowered revenue expectations and the smoothing of construction through the identification of "fast track" projects as well as earlier letting of future projects. The lower cash balances do not indicate an inability to complete the contemplated program rather indicate shifts within the program time frame.

REQUIRED LEGISLATION

The agency, in order to complete the comprehensive highway program at the lowest possible cost to the citizens of the State of Kansas, has a need for the following legislation.

Utility Relocation Assistance

The agency requests the ability, under certain circumstances, to provide financial assistance to public utilities in the relocation of facilities due to a highway project. Such authority should be limited to not more than $20,000 per utility for any single project and a utility should be required to demonstrate a need for such assistance. The funds would constitute a loan and would be subject to interest charges pursuant to K.S.A. 16-204. Frequently, small utilities do not have the resources to relocate utility facilities due to a highway project and such projects are delayed until the utility is able to make the necessary relocation.

Enhanced Authority To Acquire Fee Simple Title By Eminent Domain

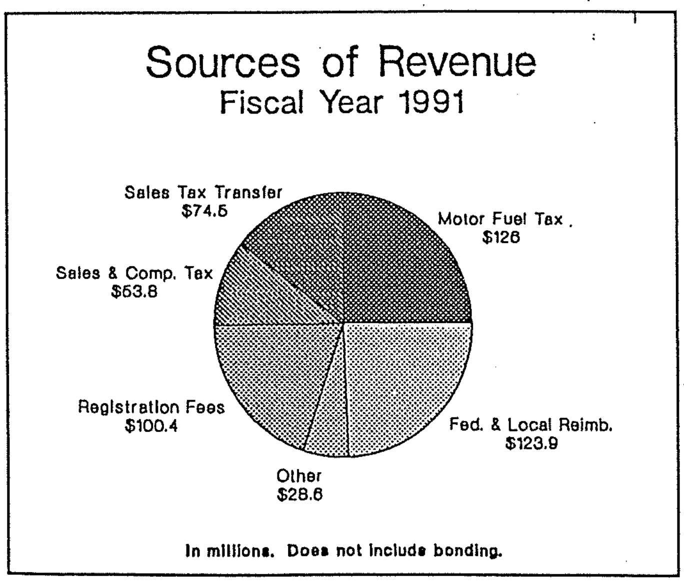
The agency is requesting legislation to allow the agency to acquire property for highway projects by condemnation in fee simple title. The Interim Committee concurred with the request but limited the concurrence to properties within the boundaries of a city. KDOT also would have the authority to dispose of all or part of the acquired property, under certain residual rights of the previous owner, when the agency determines that the land is no longer required.

shifted $131 million more to finance the selected system enhancement projects, bringing the total to approximately $703 million.

In June of 1990, the selected system enhancement projects were announced. Thirty-three projects were selected from the eligible applications. The chart on page 2 shows the number and value of the selected system enhancement projects by project category. An estimated $201 million of local funds will be committed along with state funds.

PROGRAM FUNDING

The major sources of funds for the State Highway System are federal highway trust funds, state motor fuel tax revenue, state vehicle registration fees, the transfer from the State General Fund of a portion of the sales tax revenue representing the sale of new and used vehicles, and a sales and compensating use tax of .25 percent. Taken together, revenues from the sales tax transfer and the sales and compensating tax are expected to provide 25 percent of the funds available to finance the Comprehensive Highway Program in FY 1991.



Petroleum Prices

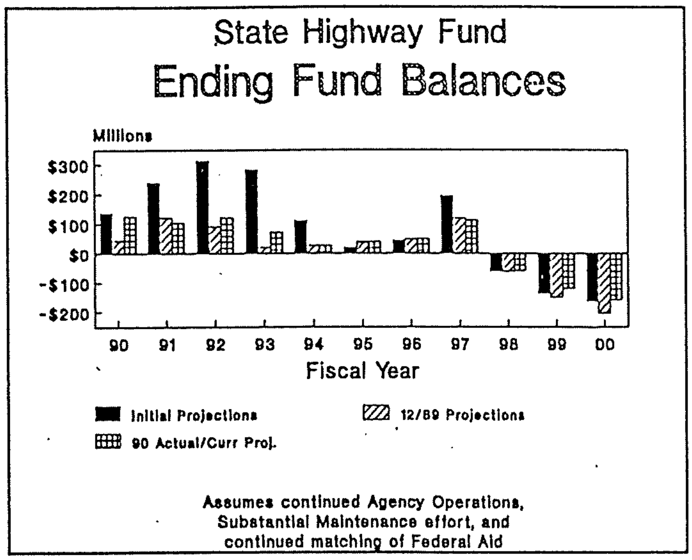
Kansas crude oil and natural gas production and prices will be strongly influenced by OPEC's efforts to manage production and price levels and by the added cost that may result from shortages arising from the Middle East situation. A shooting war could significantly alter any current projections concerning project costs and revenues. When additional information about long-term oil prices is available, it may be necessary to revise the current projections.

Bonding

K.S.A. 1990 Supp. 68-2320 authorizes the Secretary of Transportation to issue bonds, not to exceed a principal amount of $890 million, for needs associated with the highway program. The agency's current analysis and projections are based on bonding when the cash is required for the program. Although this is an obvious approach, it is not necessarily the only advantageous way bonding authority might be used. The agency is continuing to evaluate other possible bonding alternatives. The projected cash flows have taken debt service needs into consideration, and current projections indicate that adequate money will be available for debt service payments.

Projected Ending Cash Balances

The accompanying chart compares the current projections with the original ones and those made in December of 1989. As the chart shows, the acceleration of the program reduced early cash balances. Funds are still adequate to finance agency operations and all program components through FY 1997. Construction contracts let in Fiscal Year 1997 are expected to be completed and paid for by the end of FY 2000. Although the revenue sources continue after FY 1997, they are not adequate to address the funding needs of the transportation system after that date. At some point, consideration will have to be given to either providing additional revenue or reducing the level of service provided.



Forecasted Revenues

The chart on the next page shows that revenues are currently projected at a slightly higher level than the December 1989 estimate. This increase, which amounts to $6.9 million or 1.8 percent for FY 1991, occurred primarily because the projection for motor fuel tax receipts was decreased in late 1989, then increased in April 1990 to nearly the original level. Current projections are based on the assumption that motor fuel consumption will remain flat for the next ten years.

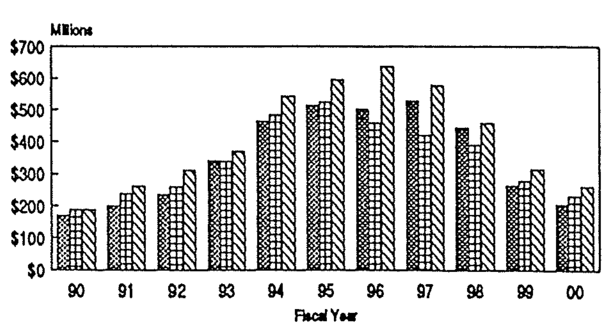
The projected growth rate in sales tax collections for FY 1993 and thereafter was maintained at 3.75 percent. No change was made in the estimates for vehicle registration fees, which were increased on January 1, 1990. Those projections will be reviewed after the statistics on a full calendar year's experience at the new rates become available.

the result of increased interest earning on higher state highway fund balances. The total increase in estimated revenues for FY 1992 is $3.6 million or 0.9 percent.

The estimates for motor fuel taxes have been reduced by approximately four percent. This reduction reflects reduced consumption of motor fuels in the last 12 months. The consumption of motor fuels is expected to remain at approximately the current level for the balance of the Comprehensive Highway Program. The agency continues to closely monitor motor fuel consumption for indications of future changes in consumption. The estimate for vehicle registration fees was increased by $1.6 million to reflect actual collections at the new rates. The amount collected per year is expected to remain stable at the revised estimate.

Forecasted Expenditures

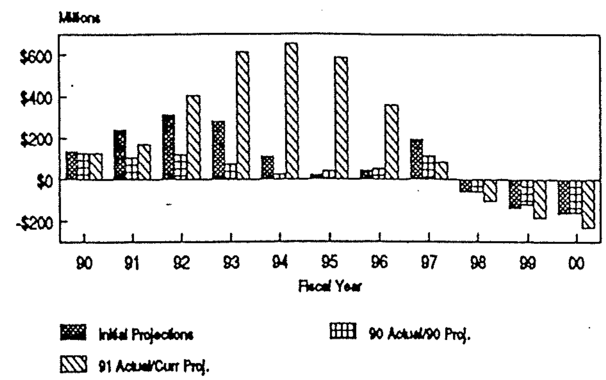
The agency continues to refine its expenditure estimates as projects are scheduled and work progresses. The current projections, with slight refinements, are consistent with last year's projections. The increase in expenditures between the current estimate and the prior year's estimate is primarily due to the passage of the Intermodal Surface Transportation Efficiency Act of 1991. The availability of additional federal dollars and the designated expenditure requirements result in higher expenditures in the later years of the program.



Includes Contract Design and Inspection

Projected Ending Cash Balances

The Comprehensive Highway Program was enacted in such a manner that all Major Modification projects were to be let to construction contract by the end of FY 1997 and adequate funding was provided for the actual construction. Substantial Maintenance and agency operations were only funded through FY 1997. Adequate revenue sources were provided to pay the debt service on the authorized bonds through their life. Although the revenue sources continue, they were not anticipated to be adequate to address the funding needs of the transportation system after FY 1997.



Assumes continued Agency Operations, Substantial Maintenance effort, and continued matching of Federal Aid

Funds are still anticipated to be adequate to finance agency operations and all program components through FY 1997. The major change in the projected ending balances shown in the chart at right is the result of the change in financial strategy for bond sales. At some point, consideration will still have to be given to either providing additional revenue or reducing the level of service provided beginning in FY 1998.

AGENCY ADMINISTRATION

The ability of the agency to actually produce the Comprehensive Highway Program is a major concern. In order to produce the program, adequate staffing must be provided and productivity must be increased.

Staffing

In prior years the Department successfully reduced staffing. Because of this past efficiency effort, it was necessary to increase staffing by approximately five percent in the first two years. An additional increase of 30 construction inspectors is required in FY 1993. The agency has only requested 15 new positions based on its commitment to allocate half of the positions from lower priority activities within the Department.

slight refinements for lowered expectations in federal trust fund dollars, are consistent with last year's projections.

Inflation estimates continue to be a major factor in determining the long-range forecast. The actual rate of inflation can have a significant effect on the amount of work that can be accomplished during the Comprehensive Highway Program. The Department continues to closely monitor forecasts of long-term inflation rates and the potential impact on the Program. At a recent meeting, the Highway Revenue Consensus Estimating Group reviewed the future inflation estimates and retained the estimate for highway construction at the current 5.2 percent annual rate. The inflation rate for agency salaries and operating expenditures was lowered by the State Consensus Revenue Estimating Group for FY 1993 and FY 1994. Future inflation rates for salaries and operating expenditures were also lowered to reflect current long-term estimates of inflation.

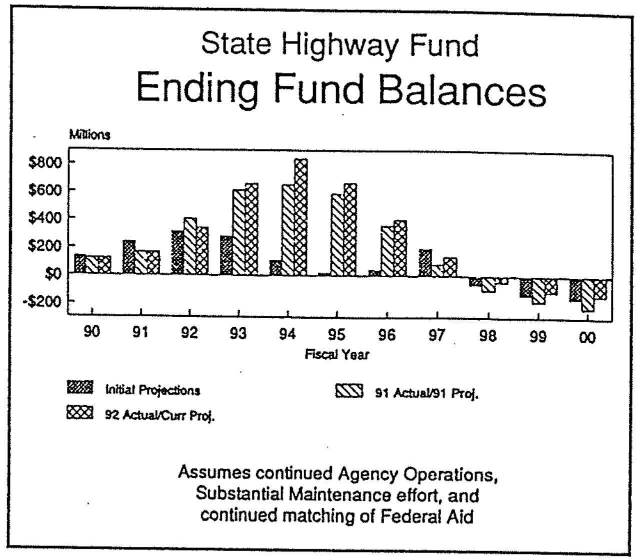
Projected Ending Cash Balances

The Comprehensive Highway Program provided that all Major Modification projects were to be let to construction contract by the end of FY 1997 and adequate funding was included for their actual construction. Substantial maintenance and agency operations were only funded through FY 1997.

Adequate revenue sources were provided to pay the debt service on the authorized bonds through their life. Although the revenue sources continue past FY 1997, they were not anticipated to be adequate to address the funding needs of the transportation system after FY 1997.

Funds are still expected to be adequate to finance agency operations and all program components through FY 1997. The major change in the projected ending balances shown in the chart at right is the result of the actual and anticipated bond sales, the inclusion of motor fuel revenues previously flowing to the State Freeway Fund, and the lowering of inflation estimates for agency salaries and operating expenditures.

At some point, consideration will still have to be given to either providing additional revenue or reducing the level of service provided to the traveling public beginning in FY 1998.



Investment Program

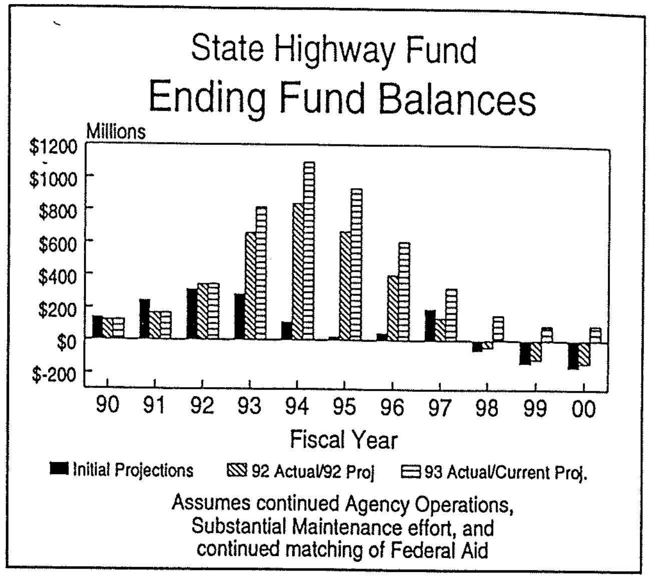
The investment strategy of the Kansas Department of Transportation is based on the premise of the Department achieving its four main objectives: 1)Preservation of principal, 2) Maintenance of liquidity, 3) Maximization of return on investment, and 4) Maintenance of public trust.

As a result of the actual project scheduling of the Comprehensive Highway Program, it is anticipated that the Department will accumulate substantial cash and investment balances through Fiscal Year 1995. Accumulated funds reflect construction commitments and are required to pay for the Comprehensive Highway Program as work progresses. Successful cash and investment management is considered to be crucial to the success of the Program and to the Department. The Department expects to reduce investment-related risk through a balance of quality and diversification within its investment portfolio. KDOT has contracted with an outside financial advisor to perform various investment-related duties, such as: investment and market research,

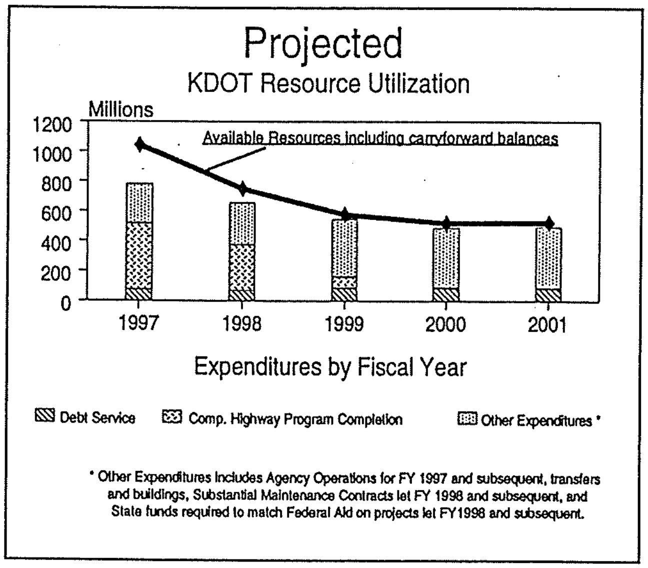
Projected Ending Cash Balances

The CHP provided that all Major Modification projects were to be let to construction contract by the end of FY 1997 and as shown in the chart below, adequate funding was included for their actual construction. Substantial Maintenance and agency operations were only funded through FY 1997.

Adequate revenue sources were provided to pay the debt service on the authorized bonds through their life. Although the revenue sources continue past FY 1997, they were not anticipated to be adequate to address the funding needs of the transportation system after FY 1997.



Assumes continued Agency Operations, Substantial Maintenance effort, and continued matching of Federal Aid



* Other Expenditures Includes Agency Operations for FY 1997 and subsequent, transfers and buildings, Substantial Maintenance Contracts let FY 1998 and subsequent, and State funds required to match Federal Aid on projects let FY1998 and subsequent.

Funds are still expected to be adequate to finance agency operations and all program components through FY 1997. The major change in the projected ending balances shown in the following chart in the next column is the result of the actual and anticipated bond sales, the estimated increase in motor fuel taxes and registration fees, increased interest revenues because of delays in anticipated construction expenditures and the continued low inflation rates for agency salaries and operating expenditures. Consideration will still have to be given to either providing additional revenue or reducing the level of service provided to the traveling public.

Investment Program

The investment strategy of the Department is based on the premise of the Department achieving its four main investment objectives: 1) preservation of principal, 2) maintenance of liquidity, 3) maximization of return on investment and 4) maintenance of public trust.

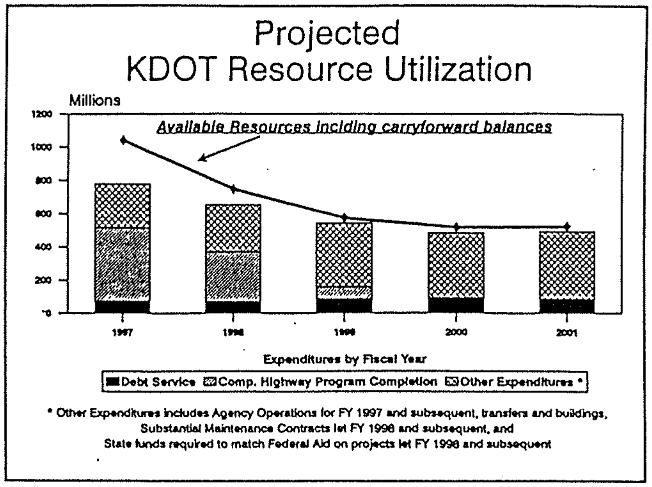
As a result of the actual project scheduling of the CHP, it is anticipated that the Department will accumulate substantial cash and investment balances through FY 1995. Accumulated funds reflect construction commitments and are required to pay for the CHP as work progresses. Successful cash and investment management is considered to be crucial to the success of the Program and to the Department. The Department expects to reduce investment-related risk through a balance of quality and diversification within its investment portfolio.

AGENCY ADMINISTRATION

The ability of the agency to actually produce the CHP remains a major concern. In order to produce the program, adequate staffing must be provided and productivity must be increased.

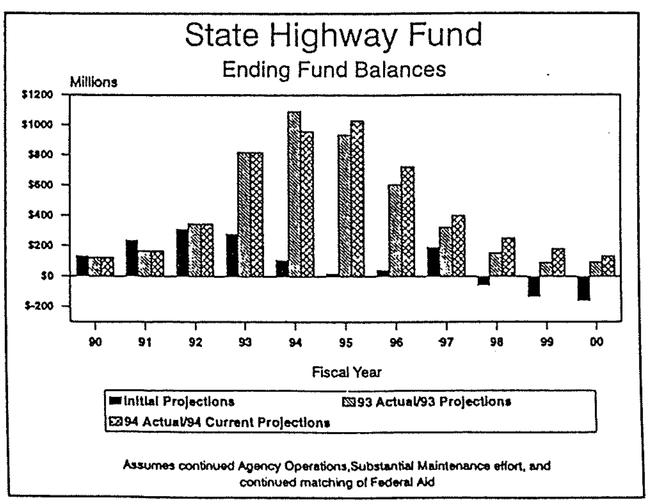
Staffing

In years prior to the CHP, the Department successfully reduced staffing. Because of this past



Funds are still expected to be adequate to finance agency operations and all program components through FY 1997. The major change in the projected ending balances shown in the chart below is the result of the actual bond sales, the estimated increase in motor fuel taxes and sales and compensating use tax receipts and the continued low inflation rates for agency salaries and operating expenditures.

The balance shown for FY 2000 exceeds the amount required to pay the bond debt and provide for the orderly payment of agency expenditures. Projected construction expenditures for FY 1998 and subsequent are based on a minimum program which only matches available federal aid and provides an orderly transition from the CHP. Since this level of construction is considered inadequate to maintain the State Highway System, at some point consideration will still have to be given to either providing additional revenue or reducing the level of service provided to the traveling public.



Investment Program

The investment strategy of KDOT is based on the premise of the Department achieving its four main investment objectives: 1) preservation of principal, 2) maintenance of liquidity, 3) maximization of return on investment and 4) maintenance of public trust.

As a result of the actual project scheduling of the CHP, the Department has accumulated and will continue to accumulate substantial cash and investment balances through FY 1995. Accumulated funds reflect construction commitments and are required to pay for the CHP as work progresses. Successful cash and investment management is considered to be crucial to the success of the Program and to the Department. The Department expects to reduce investment-related risk through a balance of quality and diversification within its investment portfolio. KDOT has contracted with an outside financial advisor to perform various investment-related duties, such as: investment and market research, investment strategy development and cash flow forecasting.

AGENCY ADMINISTRATION

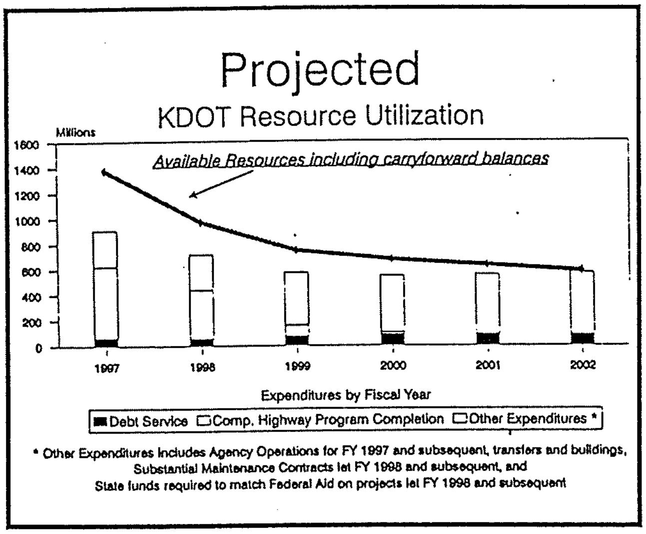
The ability of the agency to actually produce the CHP remains a major concern. In order to produce the program, adequate staffing must be provided and productivity must be increased.

Staffing

In years prior to the CHP, the Department successfully reduced staffing. In FY 1971, KDOT had 4,652 positions. A total of 448 positions were transferred to other agencies. At the beginning of the CHP in FY 1989, KDOT had reduced staffing to 3,140 positions. The Department's strategy has been to add staff only as required. To date, the program has been directly responsible for the addition of 108 FTE, an increase of 3.4 percent from the Department's pre-Program head count. The agency's actual workload will continue to increase because more projects will be under construction in FY 1995 and FY 1996. No new positions were requested for FY 1994, FY 1995 or FY 1996.

Projected Ending Cash Balances

The CHP provided that all Major Modification projects were to be let to construction contract by the end of FY 1997 and adequate funding was included for their actual construction and payment which will extend to FY 2000. Substantial maintenance and agency operations were only funded through FY 1997.

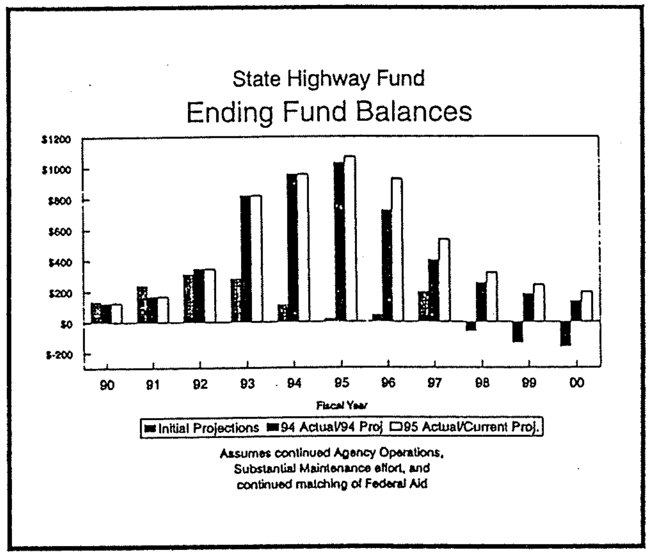


Adequate revenue sources were provided to pay the debt service on the authorized bonds through their entire life. Although the revenue sources continue past FY 1997, they were not anticipated to be adequate to address the funding needs of the transportation system after FY 1997.

Funds are still expected to be adequate to finance agency operations and all program components through FY 1997. The major change in the projected ending balances shown in the chart at right is the result of the actual bond sales, the estimated increase in motor fuel taxes, registration fees and sales and Compensating Use Tax receipts, and the continued low inflation rates for agency salaries and operating expenditures.

As a result, the need for additional revenues is not as urgent as previously projected (see above chart). The balance shown for FY 2000 exceeds the amount required for the bond debt and provides for the orderly payment of agency expenditures. Adequate balances, given the projected construction expenditures, are currently projected through approximately FY 2002.

Projected construction expenditures for FY 1998 and subsequent are based on a minimum program which only matches the estimated available federal aid and maintains an adequate level of substantial maintenance. Since this level of construction is considered inadequate to fully maintain a declining State Highway System, at some point, consideration will still have to be given to either providing additional revenue or reducing the level of service provided to the traveling public.



Investment Program

The investment strategy of the KDOT is designed to permit the Department to achieve its four main investment objectives of: 1) preservation of principal, 2) maintenance of liquidity, 3) maximization of return on investment, and 4) maintenance of public trust.

As a result of the actual project schedule of the CHP and the sale of bonds during periods of historically low interest rates, the Department has accumulated substantial cash and investment balances through FY 1995. Accumulated funds reflect construction commitments and are required to pay for the CHP as work progresses. Successful cash and investment management is considered to be crucial to the success of the program and to the Department. The Department expects to continue to reduce investment-related risk through a balance of quality, diversification and the matching of investment maturities with the anticipated cash

RETIREMENT

OF BONDS

TOTAL PRINCIPAL AND INTEREST FOR BONDS*

Fiscal Year	Amount	Fiscal Year	Amount
1993	$18,544	2005	$85,822
1994	$34,828	2006	$85,837
1995	$45,741	2007	$85,849
1996	$58,311	2008	$85,901
1997	$62,795	2009	$85,946
1998	$58,589	2010	$85,937
1999	$74,378	2011	$85,986
2000	$85,657	2012	$86,098
2001	$85,684	2013	$61,423
2002	$85,707	2014	$25,192
2003	$85,748	2015	$13,477
2004	$85,773	**TOTAL**	**$1,569,220**

*in thousands. Assumes 5% interest on variable rate bonds.

1-41

- Principal and Interest for the Department's bonds totals approximately $1.5 billion
- All bonds will be retired by 2015
- Revenue streams are pledged to bonds first
- Current annual revenues from pledged sources are more than adequate to retire the bonds

TESTIMONY

of ECONOMIC LIFELINES

Presented by

Patrick J. Hurley

to

The HOUSE TRANSPORTATION COMMITTEE
on February 13, 1996

Room 526-S - State Capitol
Topeka, Kansas

February 13, 1996

House Transportation Committee
February 13, 1996
Attachment 2

Mr. Chairman and Members of the Committee:

I am Patrick J. Hurley and I appear on behalf of Economic Lifelines. Thank you for the opportunity to testify here today.

This statement is presented by Economic Lifelines to serve two purposes: first, to publicly compliment the Kansas Department of Transportation for the successful implementation of the 1989 Comprehensive Highway Program; and second, to provide empirical evidence in the form of the TRIP report of the tremendous benefits which have accrued to the citizens of the state of Kansas from this program.

As you know, Economic Lifelines is a broad-based coalition of Kansas trade groups, associations, communities, and individuals whose sole purpose is to promote the development and maintenance of a safe, modern highway system which serves the motoring public and enhances the economic development of Kansas communities.

Economic Lifelines came into existence in the mid 80's in response to the growing concern over the rapid deterioration of the Kansas highway system and the state's financial inability to do anything about it. Once considered to have one of the better highway systems in the nation, by the 1980's Kansas faced the prospect of entering the 21st Century with a woefully inadequate and dangerous highway network.

In response to this growing crisis, the 1989 Kansas Legislature committed the resources to implement a bold and expansive highway improvement program intended to reverse this deterioration. Economic Lifelines joined KDOT and the Governor on behalf of the general public to help persuade the Legislature to enact this largest public works program in the state's history.

In evaluating the success of such a program, it must meet two tests: first, did it adequately address a substantial portion of the state's highway needs; and second, did it provide significant benefit to the state's economy, its communities, and its citizens.

By any standard of measurement, the 1989 program clearly has met both of these tests.

In meeting the first test, by the conclusion of the program KDOT will have completed over $3 billion of highway projects addressing almost one/fifth of the state's most critical needs, and it will have done so on time, and within the original projected budget. All the data which KDOT has annually presented to the Kansas Legislature since the beginning of the program, clearly demonstrates how completely this first test has been met.

Economic Lifelines was equally convinced from the overwhelming positive support of citizens across the state that the second test had also been met in dramatic fashion. In order to demonstrate this fact empirically, Economic Lifelines commissioned The Road Information Program (TRIP) of Washington, D.C. and Dr. Darwin Daicoff to conduct a study at the midpoint of the program to analyze and quantify the actual benefits.

TRIP was founded in 1971 as a non-profit organization sponsored by the highway industry to conduct research and distribute economic and technical data on highway transportation issues.

Dr. Darwin Daicoff is Professor Emeritus at the University of Kansas where he taught in the area of economics and public finance for 34 years. He is past director of The Institute for Economic and Business Research and has served as a member of the Kansas Consensus Revenue estimating group since its inception.

The result of the combined efforts of TRIP and Dr. Daicoff is the report which was presented to Governor Graves and the Legislature on January 30 of this year. Additional copies are being made available to you today.

This report illustrates that the second test was indeed met in substantial measure. Dr. Daicoff's study, The Economic Impact Of The Comprehensive Highway Program, which is incorporated into the report concludes that the 1989 Comprehensive Highway Program proved a major stimulus to the Kansas economy during a period of national recession. This allowed Kansas to survive this downturn better than many other states.

Dr. Daicoff concluded that there was a direct correlation between the increase in highway investment by KDOT and the improved performance of the state's economy relative to the economy of the United States and surrounding states from 1989 to the present.

As a basis for his study, Dr. Daicoff analyzed data on the Kansas highway expenditures, personal income, and employment statistics from the beginning of the program and concluded that the stimulation to the Kansas economy was directly related to a significant increase in jobs and wages. In fact, the previously stagnant highway construction industry has been virtually saved and restored to a vigorious level by the program.

Perhaps most importantly, the study demonstrated that the program provided Kansas communities with highway improvements which were deemed absolutely essential to their continued growth and their economic stability. Without these major highway improvements many of these communities would be unable to effectively compete for new jobs and industries.

In conclusion, Economic Lifelines believes that the 1989 highway program has been widely acknowledged by the general public as the single most successful program by Kansas state government in recent times. For once, state government delivered to Kansas communities exactly what it promised and the Kansas citizens and communities across this entire state are the beneficiaries.

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February 12, 1996

The Honorable Kenneth R. King
Chairman
House Transportation Committee
Room 431 N.
State Capitol Building
Topeka, Kansas 66612

Re: House Bill No. 2679

Dear Chairman King:

I have been requested to offer a comment on the above referred to legislation. In particular, I understand a statement concerning amendment of the Bill to include language which restricts issuance of special permits to only, "...such vehicles or loads which cannot be reasonably divided or reduced,..." is desired. I offer the following is response.

Apportionment of federal funding to the States is made contingent upon compliance with United States Code, Title 23, §127 (Vehicle weight limitations-Interstate System). This law was originally enacted in 1958. In part, this section provides:

> ...Provided, That such overall gross weight may not exceed eighty thousand pounds,...., except for those vehicles and loads which cannot be easily dismantled or divided and which have been issued special permits in accordance with applicable State laws, or the corresponding maximum weights permitted for vehicles using the public highways of such State under laws or regulations established by appropriate State authority in effect on July 1, 1956,...

In July of 1956 Kansas had in effect a statute which permitted the Highway Commission to issue special permits for overweight vehicles. It had no weight restrictions or limitations and did not distinguish between divisible and non-divisible loads. There were, however, regulations which restricted issuance of overweight permits to non-divisible loads.

Historically, there has been a significant interplay between the State of Kansas and the Federal Highway Administration (FHWA) grounded in the above enactments. This history may be briefly summarized as follows.

House Transportation Committee
February 13, 1996
attachment 3

In 1989, then Secretary Horace Edwards, advised the Federal Highway Administration of the intent to operate longer combination vehicles (LCV's) within the State. These vehicles would exceed the federal weight limits and, by their nature, are divisible. The Edwards's correspondence included the opinion that Kansas possessed grandfather rights rights as contemplated by 23 U.S.C.S. §127. No response was made to this letter. By March of 1991, in contemplation of a crucial cutoff date under the recently enacted Intermodal Surface Transportation Efficiency Act (ISTEA), Secretary Gary Stotts again wrote the Federal Highway Administration requesting a statement of position. In April of 1991 the Federal Highway Administration responded, advising that Kansas had not established grandfather rights rights and referred to the 1956 regulations as an indication that such were unavailable in any event. If Kansas sought to establish grandfather rights an opinion from the State Attorney General was required.

An Attorney General opinion was requested and obtained. It concluded that Kansas did have grandfather rights rights contemplated by §127. Fundamental to this opinion was the analysis of the 1956 statute which established no limitation on the permitting authority of the Commission. Loads, divisible or non-divisible, were equal within the contemplation of this statute. On the strength of this opinion permits were issued for the operation of LCV's on the Good land to Colorado I-70 route on the last day allowed for the vesting of grandfather rights rights under the provisions of ISTEA; "...A longer combination vehicle may continue to operate only if the longer combination vehicle configuration type was authorized by State officials pursuant to State statute or regulation conforming to this section and in actual lawful operation on a regular or periodic basis (including seasonal operations) on or before June 1, 1991,...". Had the limitation on divisible loads been incorporated in the 1956 law there is little doubt that Kansas would have suffered the restrictive weight limits of 23 U.S.C.S. §127, thereby precluding the operation of LCV's and effectively thwarting the legislative will.

It is fair comment to note that the circumstance have altered since 1991 and the passage of ISTEA. But to do so with complacency is to ignore that federal law yet retains the benchmark of 1956 and that the ISTEA coverage refers specifically to vehicles which were in "lawful operation". Thus, the question of what was in effect in 1956 while apparently less important is not necessarily comatose. On this point it is recognized that a 1996 amendment to a statute should not effect a pre-amendment analysis. However, it is not idle to suggest that it may have some impact, although this may be more psychological than legal.

In addition, it is equally fair to state that there is a principle involved here that remains worthy of consideration. The power of the federal government to effect the legitimate affairs of the states is well known. As a counter to encroachment of federal authority maintenance of existing state rights would generally be recognized as a desirable.

In the area of concern here, given the historical background, efforts at preservation of our rights would appear to be be particularly significant. It is suggested that the best vehicle for doing so would be for the legislature to leave the maximum amount of authority with the Secretary. In the present circumstance accomplishing this would appear to be a no cost proposition; simply do not limit the Secretary's powers unnecessarily. The existing system has functioned well for decades without the proposed limiting language and absent some demonstrable need it should not be altered now. The adage of not "bidding against yourself" has some applicability here. While the proposed amendment may not immediately pose a threat to State's ability to contest outside control this comment may not prove accurate at some future time. To unilaterally diminish the State's bargaining position, without receiving some identifiable consideration, would seem to be unwarranted.

I appreciate the opportunity to provide the above thoughts and comments. As a final point I would only add that the comfort level with this amendment should be measured by one's view of state's rights and federal control and the likelihood of future attempts to exert the latter.

Sincerely,

Michael B. Rees
Chief Counsel

cc: Janice L. Pauls
Representative, Dist. 102