

Approved: 1/22/96  
Date

## MINUTES OF THE HOUSE COMMITTEE ON GOVERNMENTAL ORGANIZATION.

The meeting was called to order by Chairperson Al Ramirez at 1:30 p.m. on January 17, 1996 in room 531--N of the Capitol.

All members were present except:

Committee staff present: Julian Efird, Legislative Research Department  
Fred Carman, Revisor of Statutes  
Jacqueline Breymeyer, Committee Secretary

Conferees appearing before the committee: E. Dean Carlson, Secretary of Transportation  
Joe Lawhon, Legislative Post Audit

Others attending: See attached list

The meeting of the Senate Governmental Organization Committee was called to order at 1:38 p.m. By Senator Ramirez, Chairman. He called on Joe Lawhon, Legislative Post Audit, who was present to give the audit presentation entitled, "Reviewing Highway Construction in Kansas." (Audit on file at Legislative Post Audit office, Mills Building)

Mr. Lawhon stated that the 1989 Legislature established the Comprehensive Highway Program. He directed the committee's attention to page 4 where it stated tax and fee increases and monies generated from bond sales were expected to provide \$2.3 billion in new revenues for the State Highway Fund over the eight-year period. Page 5 showed the Organization Chart. The darkened areas were the areas of the post audit focus. Mr. Lawhon responded to a question by stating that \$1.4 billion divided by the 8-year plan would roughly come out to \$1.75 million dollars a year on a continuous basis. He then touched briefly on the chart on page 6 that showed new employee positions. In response to the question on page 8 of the audit, "Has the Department of Transportation Met the Goals Established For the Comprehensive Highway Program?", Mr. Lawhon stated that more than 16% of the state's highways will have been improved by the time the comprehensive highway program is completed. Attention was directed to the map on page 10-A entitled "Illustration of **HB 2014** As Enacted by the Kansas Legislature, which showed major modifications, major modifications-route continuity, bridges, and substantial maintenance. On page 10-B the map showed road segments illustrated as needing major modification work when the Comprehensive Highway Program bill was passed. The page 10-C map illustrated actual work performed compared to the illustrated substantial maintenance needs at the time the program was passed. A table on page 11 summarized the information shown on the maps. It showed a comparison of highway work illustrated in 1989 to actual work completed or planned under the program. In selection of projects, the Department sometimes picked projects that its prioritization system indicated had less need, instead of projects with higher need ratings. This happens because the Department needs sufficient lead time to plan its major modification projects. Mr. Lawhon stated that 7 projects that ranked high by KDOT were not selected and 8 others selected in their place. Mr. Lawhon went on to page 14 and bridge projects where there was shown a comparison of priority bridge projects before and during the comprehensive highway program. The average during FY1990-1997 is shown to be 23.5. Page 17 showed annual expenditures to assist elderly and disabled citizens. Mr. Lawhon directed attention to the graph on page 19 and stated the downward trend in 1993 and 1994 was attributable to damage caused by severe flooding. The Department appears to be meeting most miscellaneous requirements contained in the law. Page 21 showed actual revenues for the State Highway Fund. During the first six years of the program, the Department received about \$396 million more than its originally projected. The chart on page 23 showed the balance in the State Highway Fund as of fiscal year 1995 exceeding \$1 billion, most of which came from bond proceeds. Because interest rates were so low in the early 1990s, the Department issued most of its bonds earlier than anticipated.

Kansas ranks 4th in the country in the number of highway miles.

The question was asked in the year 2003, with this type of expenditure, where are we going to be and what condition are the highways going to be in.

## CONTINUATION SHEET

MINUTES OF THE SENATE GOVERNMENTAL ORGANIZATION COMMITTEE ROOM 531--N  
Statehouse, at 1:30 p.m. on January 17, 1996.

Mr. Lawhon responded that there are about 9,500 miles in the state highway system that the Department is responsible for maintaining; 9100 of non-interstate miles and 400 to 500 interstate miles. Returning to page 10, using the figure 1527 miles, over 9500, roughly 1 out of 6 miles will have major modification work.

The auditors looked at whether the monies generated from the tax and fee increases would be sufficient to pay off the \$890 million worth of bonds issued for the Program when they come due. Debt service payments began in FY 1993 and will continue until FY2015. He asked the committee to turn to the table on page 27 where it shows that the increased taxes and fees will provide the Department with more than enough money each year to meet the long-term debt service requirements for the bonds that were issued.

Page 29 stated that Kansas generally follows the procedures recommended by the American Association of State Highway and Transportation Officials (AASHTO).

Mr. Lawhon commented on collusion-detection activities and identified three areas where improvements can be made. Some concerns by committee members were expressed in this area. There is one person in KDOT who is strictly responsible for this. At the exit conference the auditors have, Secretary Carlson also expressed some concern in this area and steps would be taken to make improvements in this area.

Mr. Lawhon stated that in the last ten years, nothing has been referred to the Attorney General's office. This was a concern because in this time frame some red flags might have been found.

One of the committee commented that people are probably more cautious now because there were some significant problems ten years ago that were addressed and this could be why there would be very little collusion.

The Chairman commented that in 1989, when he was serving in the House, there was a 'real dog fight' over the Comprehensive Highway Plan. Of all the votes he has made, this is probably one of the best votes he ever made during his time in the Legislature. It was a very big project to be taking on. Everyone was complaining about how the price of gas was going to go up and the quarter-cent sales tax. When the bill was passed, the gas across the street was \$1.04 a gallon; today it is \$1.05.

Secretary Carlson appeared in response to the K-GOAL audit. He provided an attachment for the committee. (Attachment 1). Of great concern was finding that the Department had not spent all of the funds allocated to programs for the elderly and disabled on a timely basis. Changes have also been made in the bid analysis management system, (BAMS), so the Department can find out what the prospects are that there is actually collusion going on in looking at bids.

Secretary Carlson said that where Legislative Post Audit's data or approaches were different than the Department's, further review has indicated that most of the differences are a matter of presentation, or interpretation, not substance.

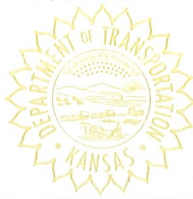
The Secretary commented on what happens now as far as needs go. He expressed concern over the condition of many of the bridges in the state.

After answering several questions, Secretary Carlson ended his response.

The Chairman thanked the Secretary and Mr. Lawhon and adjourned the meeting at 2:30 p.m.

The next meeting is scheduled for January 18, 1996.





## KANSAS DEPARTMENT OF TRANSPORTATION

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**Testimony before the  
SENATE GOVERNMENTAL ORGANIZATION COMMITTEE  
January 17, 1996**

**Regarding the Performance Audit Report,  
"REVIEWING HIGHWAY CONSTRUCTION IN KANSAS"**

Mr. Chairman and Members of the Committee:

I appreciate the opportunity to appear before you today in response to the Department's K-Goal Audit. We provided a written response to the audit in November, which is included in the final report, and I do not want to repeat those remarks. I would like to say that the Department appreciates the thoroughness and professionalism of the audit staff in conducting its evaluation, and we are very pleased with the positive results that are reflected in the report. Given the cost and scope of the Comprehensive Highway Program, we believe the fact that Legislative Post Audit made only four recommendations is strong evidence for the quality of our performance. Our greatest concern was with the finding that we had not spent all of the funds allocated to programs for the elderly and disabled on a timely basis. We were not aware that we had a problem in that area, and took steps to correct it as soon as it was drawn to our attention. Several other recommendations pointed out ways to improve our monitoring procedures and documentation, and we have addressed those concerns as well.

There are a number of areas throughout the report where Legislative Post Audit used data or approaches that differ from ours, and some questions have arisen as a result. Further review indicates many of those differences are a matter of presentation or interpretation, not substance. As a result, when Post Audit staff was asked to respond to questions about the reasonableness of the Department's revenue projections by developing their own projections, their results did not differ greatly from the information we had originally provided.

I will be happy to address any other questions you may have.

*Senate Governmental Organization  
Attachment 1  
1/17/96*