

Approved: 2-9-99  
Date

MINUTES OF THE JOINT MEETING OF THE SENATE WAYS AND MEANS COMMITTEE AND THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson Senator Dave Kerr at 11:05 a.m. on February 8, 1999, in Room 123-S of the Capitol.

All members were present except:

Committee staff present: Chris Courtwright, Legislative Research Department  
April Holman, Legislative Research Department  
Don Hayward, Revisor of Statutes Office  
Shirley Higgins, Tax Committee Secretary

Conferees appearing before the committee: E. Dean Carlson, Secretary of Transportation

Others attending: (See guest list attached to Ways and Means Committee minutes of February 8, 1999.)

As Chairperson of the Senate Assessment and Taxation Committee, Senator Langworthy thanked Senator Kerr for giving the members of the Committee the opportunity to meet jointly with the Ways and Means Committee for a review of the proposed comprehensive transportation program by staff and the Secretary of Transportation. She noted that the information will be helpful when the Taxation Committee ultimately considers the proposed program for highway financing.

The minutes of the February 8, 1999, meeting of the Senate Ways and Means Committee are attached along with relevant testimony and information distributed at the meeting. (Attachments 1 through 4)

Approved: 2/15/99  
Date

MINUTES OF THE SENATE WAYS AND MEANS.

The meeting was called to order by Chairperson Dave Kerr at 11:00 a.m. on February 8, 1999 in Room 123-S of the Capitol.

All members were present except:

Committee staff present: Alan Conroy, Legislative Research Department  
Debra Hollon, Legislative Research Department  
Rae Anne Davis, Legislative Research Department  
Norman Furse, Revisor of Statutes  
Michael Corrigan, Revisor of Statutes  
Judy Bromich, Administrative Assistant  
Ann Deitcher, Committee Secretary

Conferees appearing before the committee: Chris Courtwright, Principal Analyst  
Julian Efird, Legislative Analyst  
Secretary. E. Dean Carlson, KDOT

Others attending: See attached list.

The Chairman welcomed the Senate Taxation Committee Chairperson, Audrey Langworthy, and her Committee to the Joint Meeting.

Senator Kerr then called the Ways and Means Committee's attention to the Governor's Budget Amendment #1 for FY 2000, that had been handed out. (Attachment 1).

It was moved by Senator Jordan and seconded by Senator Salisbury that rs 0394 and rs 0683 be introduced. The motion carried on a voice vote.

Chris Courtwright, Principal Analyst, spoke to the Committee in regard to assumptions regarding sales tax demand transfers to the State Highway Fund. (Attachment 2).

Julian Efird, Legislative Principal Analyst, explained the uncapped vs. the capped SGF demand transfer projections. (Attachment 3). In speaking of the demand transfer projections, he told the Committee that there was a second component in addition to sales tax: that being motor carrier property tax.

Next on the agenda was, Secretary of the Department of Transportation, E. Dean Carlson, who presented the Comprehensive Transportation Program Funding. (Attachment 4).

In explaining the resource enhancement comparison, (page 7) the Secretary was asked if they reissued some of the bonds of the Comprehensive Highway Program. He said they didn't reissue them but refinanced them and they do not need legislative approval to do this. In explaining their investment procedures, he told the Committee that they had saved the state five million dollars.

The meeting was adjourned at 12:20 p.m. The next meeting is scheduled for Tuesday, February 9.

February 2, 1999

**To:** Senate Ways and Means Committee**From:** Chris W. Courtwright, Principal Analyst**Re:** Assumptions Regarding Sales Tax Demand Transfer to State Highway Fund

This memo responds to the Chair's request for a bullet-point analysis of the sales tax demand transfer issue as it relates to the proposed comprehensive transportation program.

- The comprehensive transportation plan proposes as one of the funding enhancements an increase in the sales tax demand transfer to the State Highway Fund (SHF) from 7.628 percent to 9 percent in FY 2000 and to 10 percent in FY 2001 and all years thereafter. Information provided by the Kansas Department of Transportation (KDOT) estimates this enhanced funding stream at \$554 million over the eight-year life of the new program. This figure was derived by assuming that current law contains a 1.75 percent growth cap on the demand transfer for each of the next eight fiscal years.
- Using a 4 percent annual sales tax growth assumption agreed to by the Research Department, KDOT, the Department of Revenue, and the Budget Division provides for an estimated \$1.009 billion in demand transfers to the SHF from FY 2000-FY 2007, based on the current statutory amount of 7.628 percent.
- The Governor is recommending that the statutory amount be increased to 9 percent in FY 2000 and 10 percent in FY 2001 and thereafter, which would provide \$1.309 billion in SHF demand transfers over the eight-year period—an increase of \$299 million relative to current law.
- Based on the assumption used by KDOT for planning purposes that current law contains a 1.75 percent growth cap for FY 2000 and all future years (beginning at 1.75 percent growth above the actual FY 1999 transfer), the eight-year demand transfers would total \$761 million. This figure is \$548 million less than the \$1.309 billion which would be transferred under the Governor's recommended enhancements.
- The Research Department and KDOT have agreed to provide numbers prospectively based on both current law and the latter assumption regarding a statutory cap.
- If the Legislature makes no change in any law, \$255 million more in SHF resources will be available over the next eight years than would have been available if current law had in fact contained the 1.75 percent cap.

#26445.01(2/5/99(3:01PM))

Senate Assessment & Taxation  
2-8-99  
Attachment 2

	(\$ in thousands)			fy 99 Actual Plus 1.75% Growth (KDOT assumption in lieu of Current Law)	Difference between Gov's Rec and Prior Column
	Current Law (7.628%)	Governor's Rec (9% in fy 00, 10% fy 2001 and future)	Governor's Fiscal Note		
<b><i>FY 2000</i></b>	\$109,271	\$128,925	\$19,654	\$89,438	\$39,487
<b><i>FY 2001</i></b>	\$113,924	\$149,350	\$35,426	\$91,003	\$58,347
<b><i>FY 2002</i></b>	\$118,481	\$155,324	\$36,843	\$92,596	\$62,728
<b><i>FY 2003</i></b>	\$123,220	\$161,537	\$38,317	\$94,216	\$67,321
<b><i>FY 2004</i></b>	\$128,149	\$167,998	\$39,849	\$95,865	\$72,133
<b><i>FY 2005</i></b>	\$133,275	\$174,718	\$41,443	\$97,543	\$77,175
<b><i>FY 2006</i></b>	\$138,606	\$181,707	\$43,101	\$99,250	\$82,457
<b><i>FY 2007</i></b>	\$144,150	\$188,975	\$44,825	\$100,987	\$87,988
	\$1,009,076	\$1,308,534	\$299,457	\$760,899	\$547,635

## New Money Over 8 Years

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(\$ IN MILLIONS)

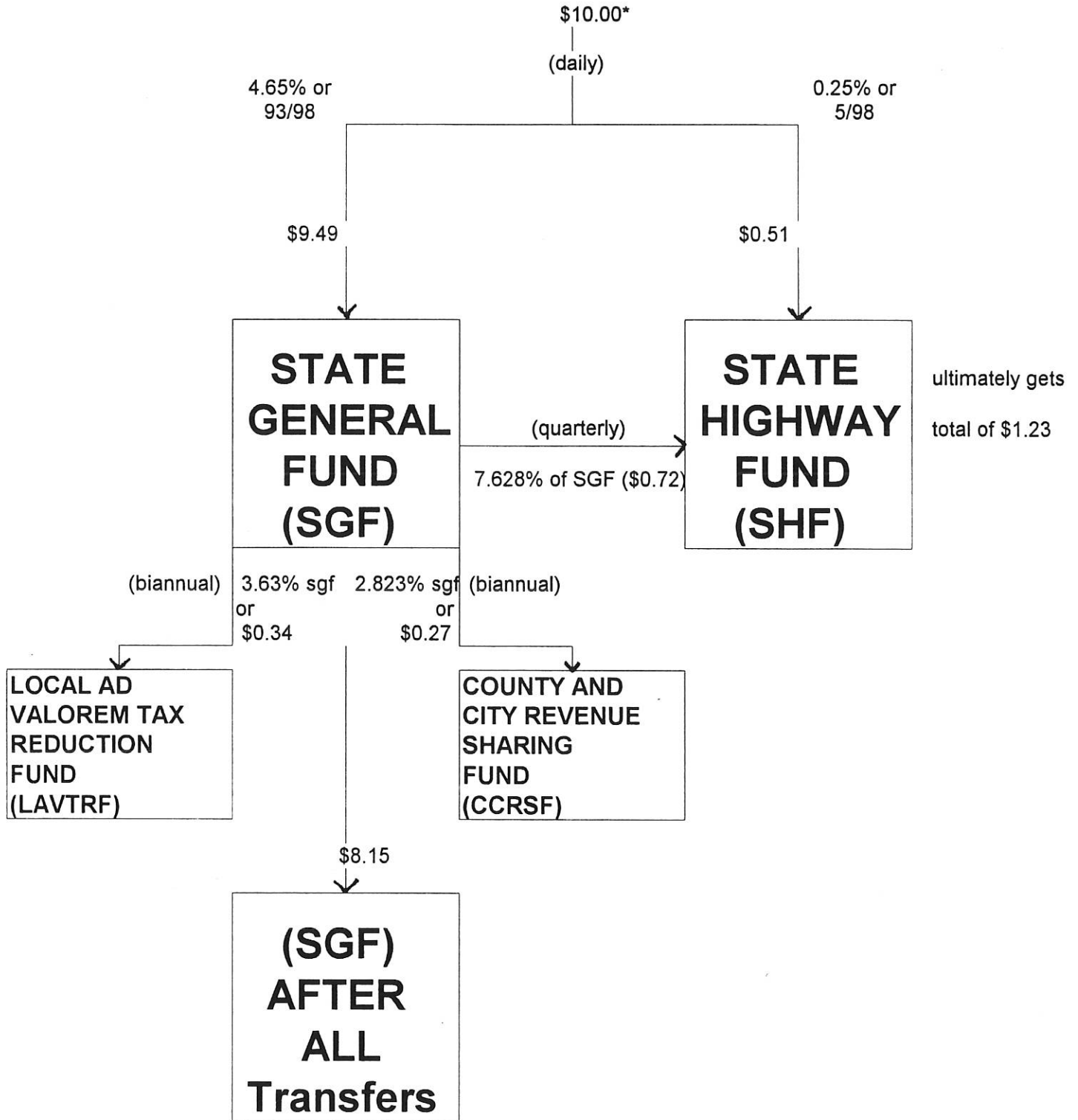
	1989 CHP FY 90-97	1998 Gov Rec (a) FY 00-07	1998 Gov Rec (b) FY 00-07
Revenue Enhancements			
Motor Fuel Tax	746		
Registration Fees	227		
SGF Sales Tax Transfer	223	554	299
Sales and Use Qtr Cent	474		
Interest on Funds	65	216	178
Subtotal Rev Enhancements	1,735	769	477
Bonds (net of issue costs)	877	2,136	2,136
Interest on Bond Proceeds	36	95	95
Net from Bond Sales	913	2,231	2,231
Total Enhanced Resources	2,648	3,000	2,708
Increase in Debt Services	105	580	580
Net New Resources for Program	2,543	<b>2,419</b>	<b>2,128</b>

(a) Gov Rec based on assumption that current demand transfer contains a cap.

(b) Gov Rec recomputed based on current law for demand transfer.

21  
63

Some spends \$204.08 on groceries (so state sales tax will be exactly \$10.00). Local sales tax not shown.  
 (He Pays \$214.08 plus any local sales tax)  
 State Sales Tax Rate = 4.9%



\* Note: Revenue from sales occurring within redevelopment districts (NASCAR and OZ) is retained exclusively for financing of those projects. The Secretary of Revenue also has authority to divert a small percentage of sales tax receipts for the Food Sales Tax Rebate Program.

Demand transfer percentages are based on current law for FY 2000 and assume that SHF and CCRSF remain uncapped.

Distribution of compensating (use) tax receipts is the same EXCEPT there is no demand transfer to the SHF.

## New Transportation Program

### Average Annual Costs

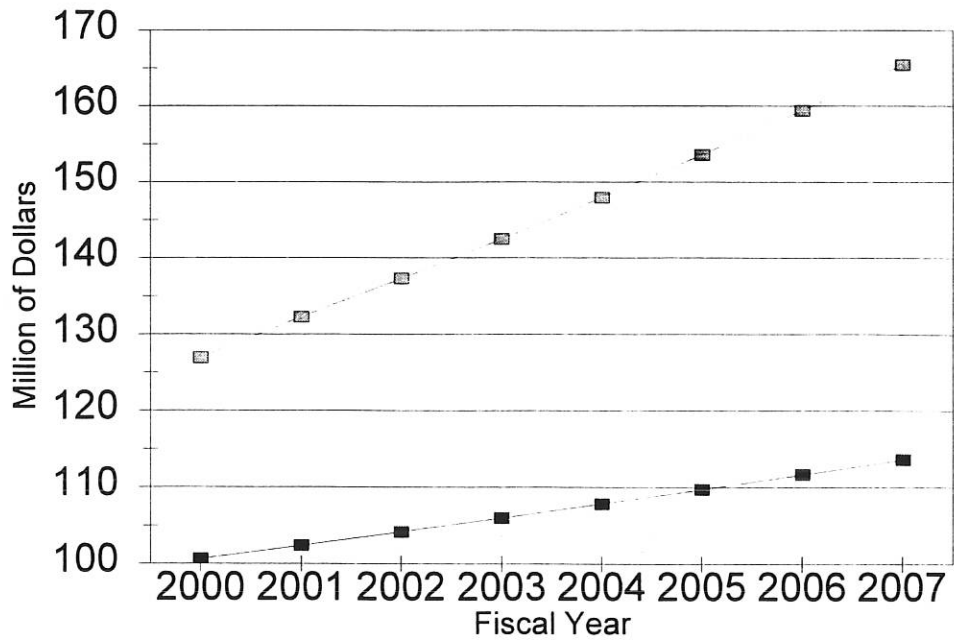
(Dollars in Millions)

Expenditures	1989		
	Comprehensive Highway Plan	Extended Interim	Recommended Program
Maintenance:			
Routine Maintenance	84	119	119
Substantial Maintenance	93	201	201
Construction:			
Major Modification & Priority Bridge	269	299	399
System Enhancement	105	--	125
Modes:			
Aviation	--	--	3
Public Transit (Includes State & Federal Funds)	5	5	10
Rail (Includes State & Federal Funds)	3	1	4
Local:			
Special City/County Highway Fund*	117	136	160
Local Federal Aid Projects (Includes Local Match)	70	80	80
Local Partnership	17	22	25
KLINK Maintenance Payments	2	2	3
Management and Other	43	70	73
Transfers Out	35	48	48
Debt Service	27	85	85
<b>Total Expenditures</b>	<b>\$ 870</b>	<b>\$ 1,068</b>	<b>\$ 1,335</b>
<b>Revenues</b>			
Available Resources (Including Beginning Balance)	\$ 926	\$ 1,033	\$ 1,033
Enhanced Resources			302
Annual Surplus (Shortfall)	\$ 56	\$ (35)	\$ --

\* motor fuel tax plus excise motor lane property tax  
In Millions

+ \$24 = \$24/yr. or \$192/8yr. motor fuel tax  
 if ratio changed from 40.5% to 44.7%

### SGF Demand Transfer Projections Uncapped vs. Capped





## SGF Transfers Out

**Table 1. Current Law with no caps**

Fiscal Year	Sales Tax	Mtr Carrier	Total
2000	109.3	17.6	126.9
2001	113.9	18.3	132.2
2002	118.5	18.8	137.3
2003	123.2	19.3	142.5
2004	128.1	19.8	147.9
2005	133.3	20.3	153.6
2006	138.6	20.8	159.4
2007	144.2	21.3	165.5
	1,009.1	156.2	1,165.3

**Table 2. FY 1999 Estimate plus 1.75 percent growth**

Fiscal Year	Sales Tax	Mtr Carrier	Total
2000	89.4	11.2	100.6
2001	91.0	11.4	102.4
2002	92.6	11.6	104.2
2003	94.2	11.8	106.0
2004	95.9	12.0	107.9
2005	97.5	12.2	109.7
2006	99.3	12.4	111.7
2007	101.0	12.6	113.6
	760.9	95.1	856.0

Table 1 vs. 2	Sales Tax	Mtr Carrier	Total
<b>Differences</b>	<b>\$248.2</b>	<b>\$61.1</b>	<b>\$309.3</b>

**Presentation to the  
Senate Ways and Means Committee  
Senate Assessment and Taxation Committee**

**Comprehensive Transportation  
Program**

**February 08, 1999**

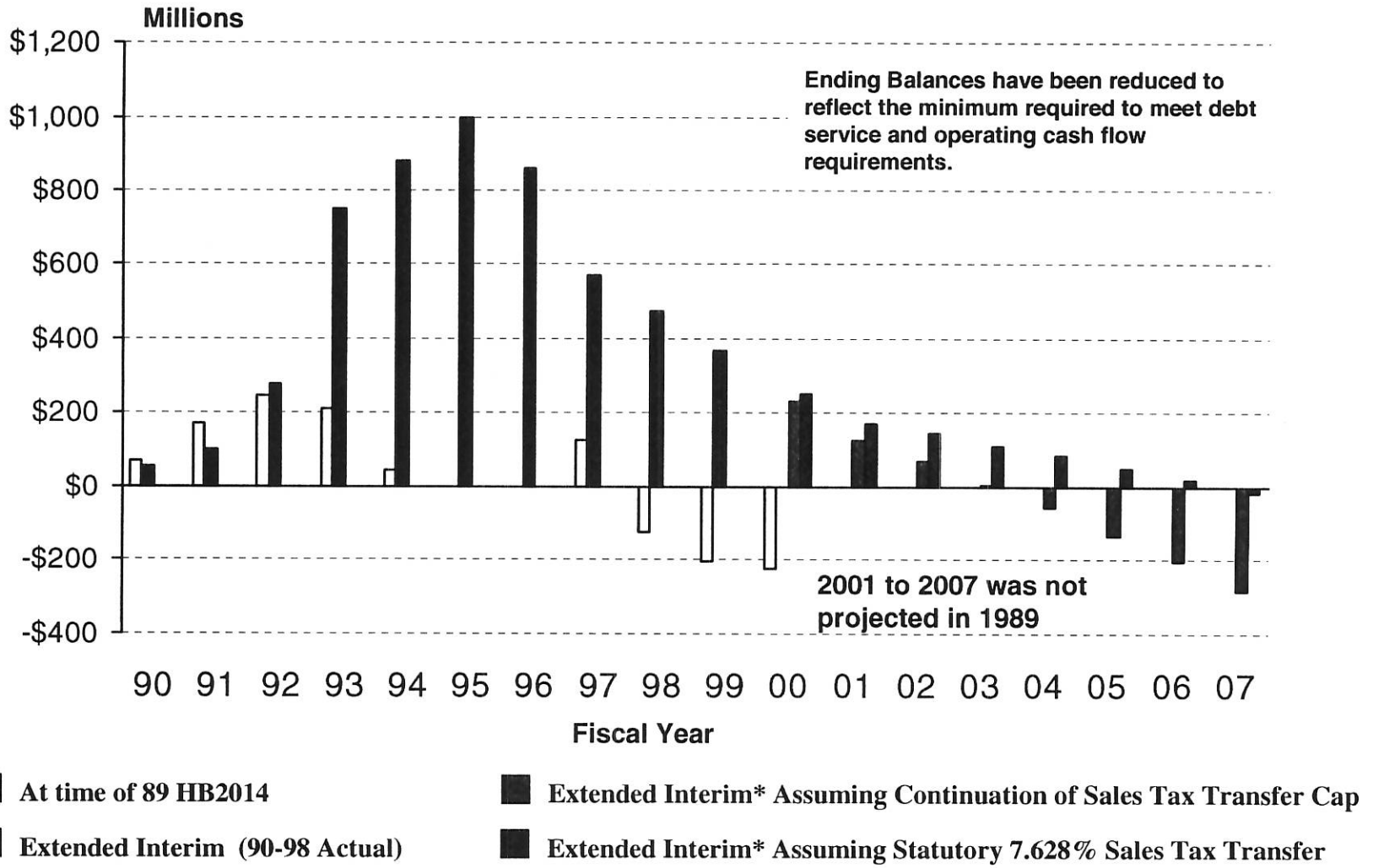
**E. Dean Carlson  
Secretary of Transportation**

**Kansas Department of Transportation**

*Senate Assessment & Taxation  
2-8-99  
Attachment 4*

# State Highway Fund Ending Cash Balances Extended Interim Program

H-2

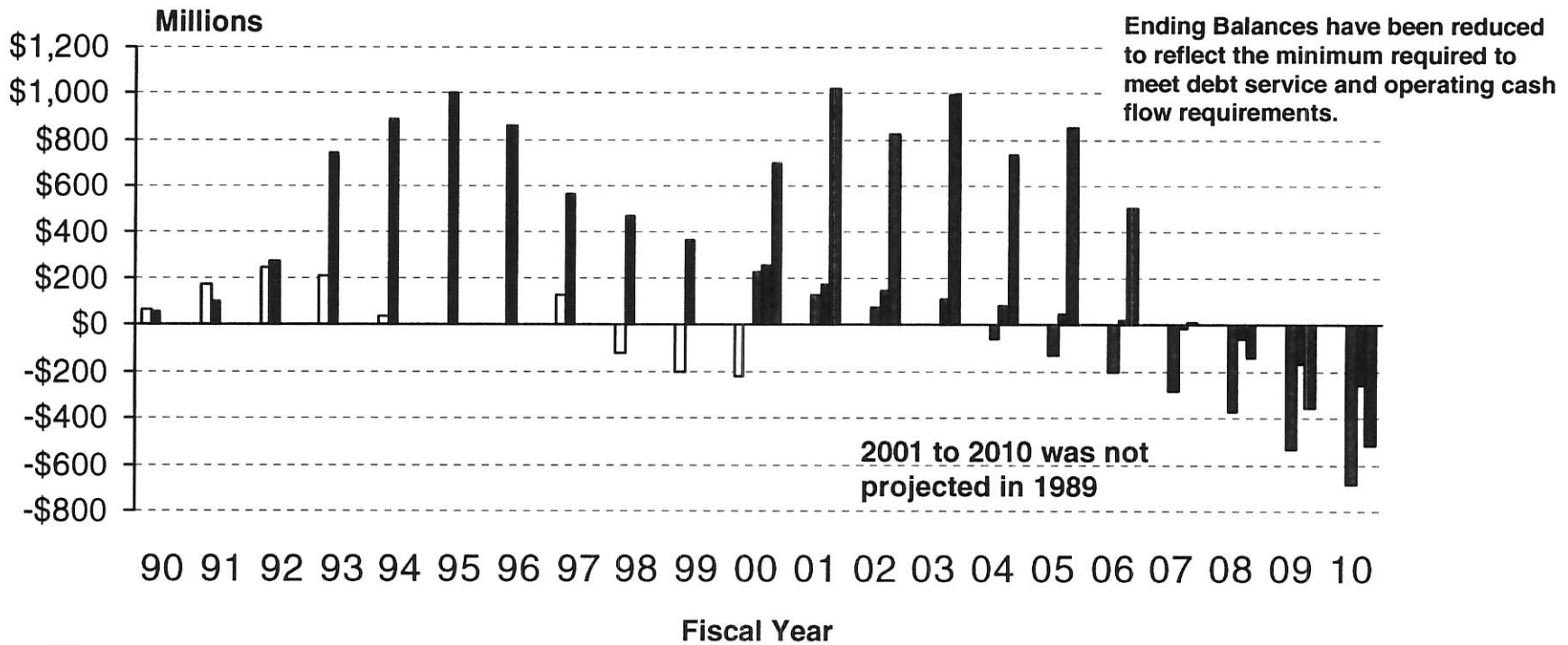


\* Assumes continued matching of Federal Aid, Substantial Maintenance, & Agency Operations beyond FY 1999.

4-3

# State Highway Fund Ending Cash Balances

## Governor's Comprehensive Transportation Program

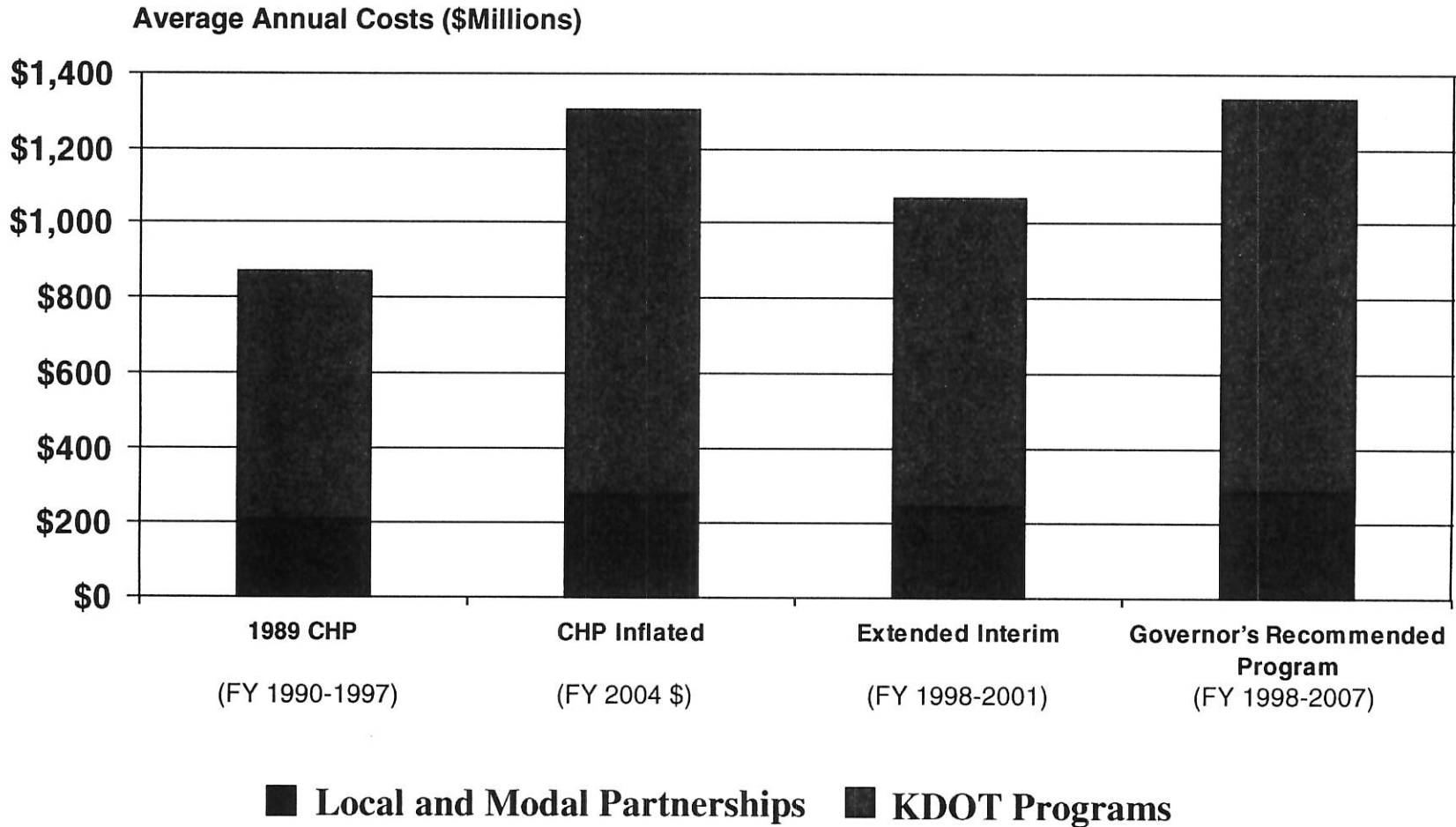


- At time of 89 HB2014
- Extended Interim (90-98 Actual)
- Extended Interim\* Assuming Continuation of Sales Tax Transfer Cap
- Extended Interim\* Assuming Statutory 7.628% Sales Tax Transfer
- Governor's Comprehensive Transportation Program\* (90-98 Actual)

\* Assumes continued matching of Federal Aid, Substantial Maintenance, & Agency Operations beyond FY 1999.

# Program Expenditure Comparison

4-4



# Governor's Transportation Program

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	Comprehensive Highway Plan Nominal \$	Interim FY 2004 \$	Program FY 2004 \$
<b>Maintenance:</b>			
Routine Maintenance	\$ 84	\$ 119	\$ 119
Substantial Maintenance	93	201	201
<b>Construction:</b>			
Major Modification & Priority Bridge	269	299	399
System Enhancement	105	0	125
<b>Modes:</b>			
Aviation	0	0	3
Public Transit (Includes both State & Federal Funds)	5	5	10
Rail (Includes both State & Federal Funds)	3	1	4
<b>Local:</b>			
Special City and County Highway Fund	117	136	160
Local Federal Aid Projects (Includes Local Match)	70	80	80
Local Partnership (Includes Local Match)	17	22	25
KLINK Maintenance Payments	2	2	3
<b>Management and Other</b>	<b>43</b>	<b>70</b>	<b>73</b>
<b>Transfers Out</b>	<b>35</b>	<b>48</b>	<b>48</b>
<b>Existing CHP Debt Service</b>	<b>27</b>	<b>85</b>	<b>85</b>
	<hr/>	<hr/>	<hr/>
	\$ 870	\$ 1,068	\$ 1,335
 <b>Available Resources (including beginning balance and adjusted for required ending balance)</b>	 926	 1,033	 1,033
<b>Enhanced Resources</b>			
Sales Tax Transfer Increase to 7.628%			32
Sales Tax Transfer Increase above 7.628%			37
Bond Proceeds (Net of issue costs)			267
Debt Service on Bonds in Period			(73)
Increase in Interest Earnings			39
<b>Annual Surplus (Shortfall)</b>	<hr/>	<hr/>	<hr/>
	\$ 56	\$ (35)	\$ 0

# Governor's Transportation Program

4-4

Average Annual Costs (\$MILLIONS)	Extended Interim FY 2004 \$	Recommended Program FY 2004 \$	Increased Effort and Resources
<b>Maintenance:</b>			
Routine Maintenance	\$ 119	\$ 119	\$ 0
Substantial Maintenance	201	201	0
<b>Construction:</b>			
Major Modification & Priority Bridge	299	399	100
System Enhancement	0	125	125
<b>Modes:</b>			
Aviation	0	3	3
Public Transit (Includes both State & Federal Funds)	5	10	5
Rail (Includes both State & Federal Funds)	1	4	3
<b>Local:</b>			
Special City and County Highway Fund	136	160	24
Local Federal Aid Projects (Includes Local Match)	80	80	0
Local Partnership (Includes Local Match)	22	25	3
KLINK Maintenance Payments	2	3	1
<b>Management and Other</b>	70	73	3
Transfers Out	48	48	0
Existing Debt Service	85	85	0
Extended Interim Shortfall	(35)		35
	<u>\$ 1,033</u>	<u>\$ 1,335</u>	<u>\$ 302*</u>
<b>Enhanced Resources</b>			
Sales Tax Transfer Increase to 7.628%		\$ 32	\$ 32
Sales Tax Transfer Increase above 7.628%		37	37
Bond Proceeds (Net of issue costs)		267	267
Debt Service on Bonds in Period		(73)	(73)
Increase in Interest Earnings		39	39
		<u>\$ 302</u>	<u>\$ 302</u>

\* Governor's Recommended Program provides increased revenues to cover the shortfall in the Extended Interim Program

# RESOURCE ENHANCEMENT COMPARISON

(Millions)

H-7

	89 CHP	Inflated 89 CHP 2004 \$	Gov. CTP
<b>REVENUE ENHANCEMENTS</b>			
<b>Motor Fuel Tax</b>	\$ 746	\$ 963	\$ 0
<b>Registration Fees</b>	227	293	0
<b>Sales Tax Transfer - Cap</b>	223	287	254
<b>Sales Tax Transfer - Statue</b>	0	0	299
<b>Sales Tax</b>	474	612	0
<b>Interest on Funds</b>	65	83	254
<b>SUBTOTAL REVENUE ENHANCEMENTS</b>	\$ 1,433	\$ 2,240	\$ 807
<b>Bond Sales (Net of Issue Costs)</b>	877	1,132	2,135
<b>Interest on bond proceeds</b>	36	46	62
<b>Debt Service in Period</b>	(105)	(135)	(580)
<b>Net Bond Proceeds</b>	808	\$ 1,043	\$ 1,618
<b>TOTAL ENHANCED RESOURCES</b>	\$ 2,543	\$ 3,283	\$ 2,424

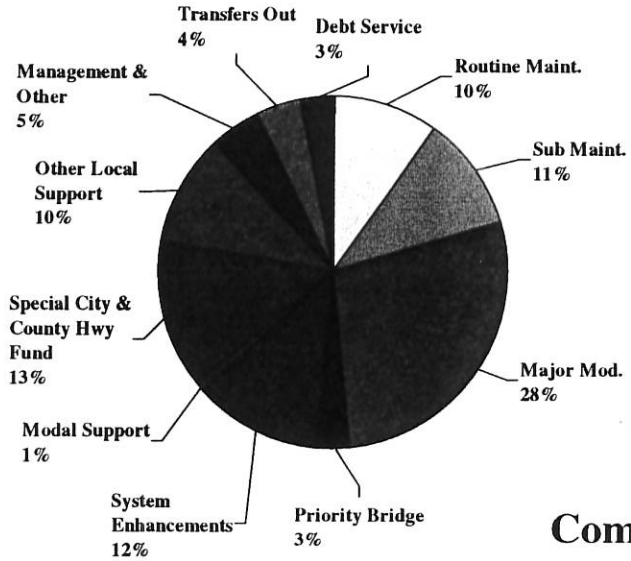
Comprehensive Highway Program inflate from midpoint to FY 2004



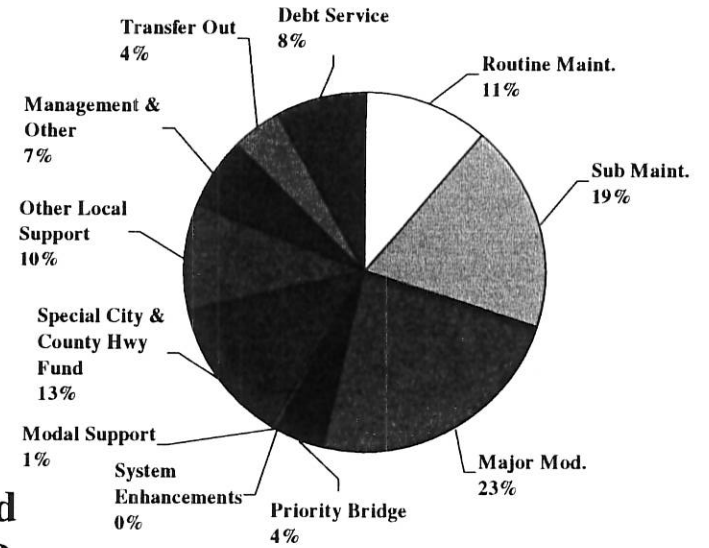
# Program Expenditures

8-14

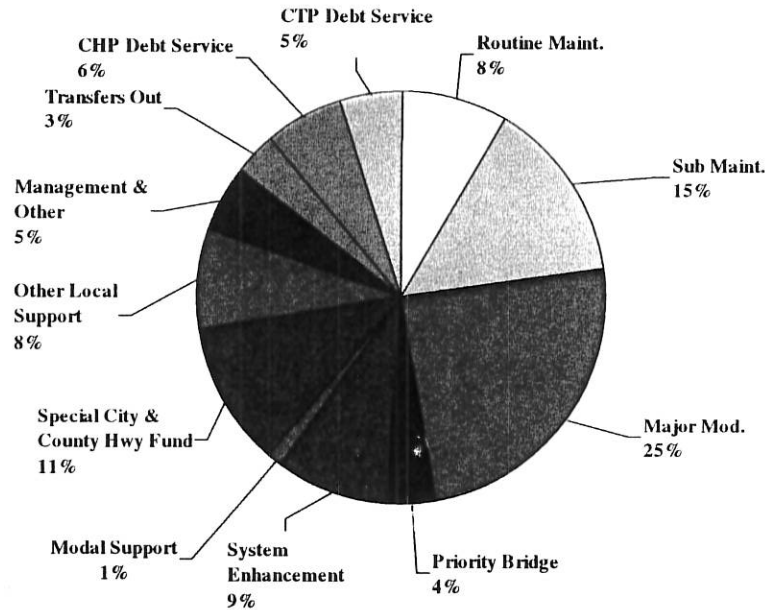
## CHP



## Extended Interim



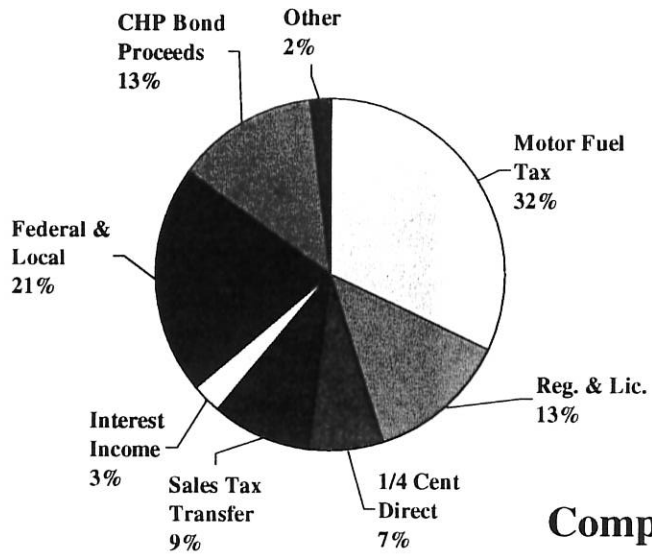
## Governor's Recommended Comprehensive Transportation Program



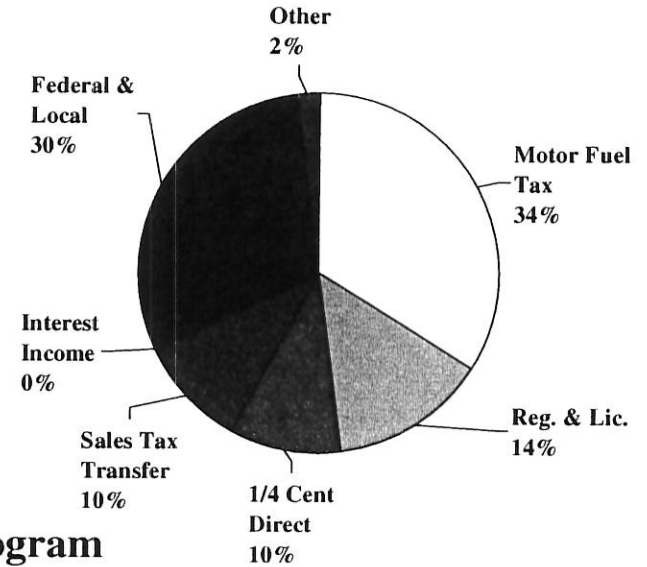
# Program Resources

H-9

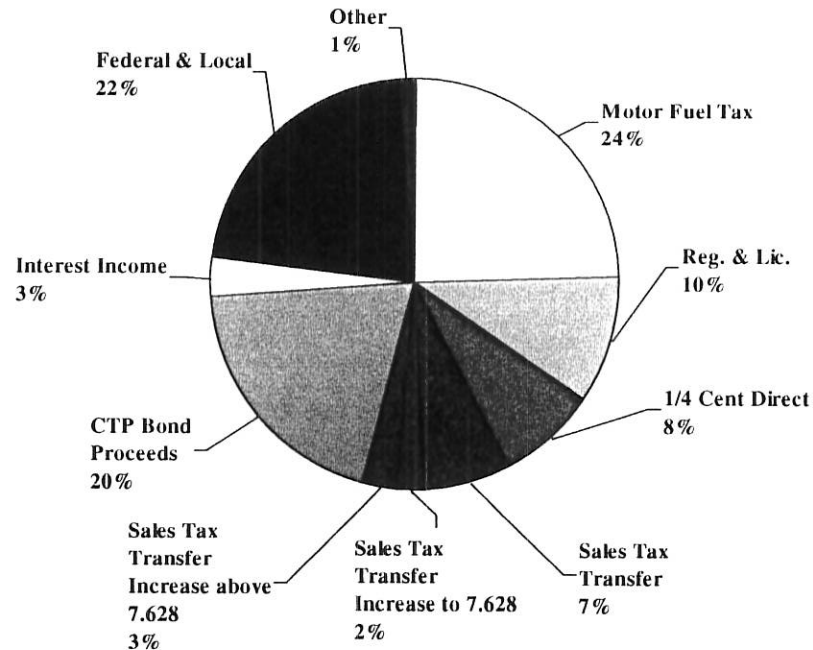
## CHP



## Extended Interim



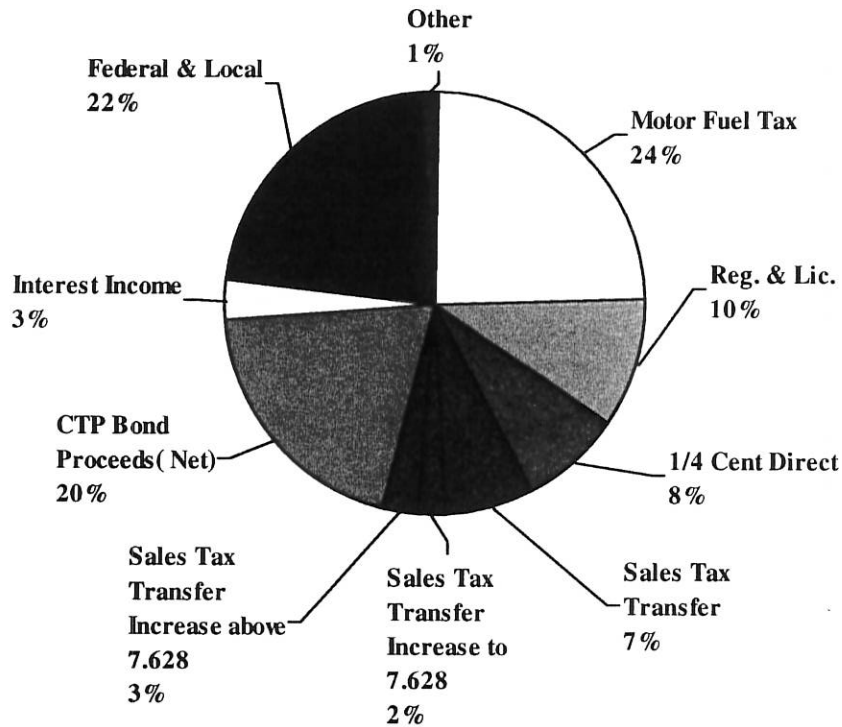
## Governor's Recommended Comprehensive Transportation Program



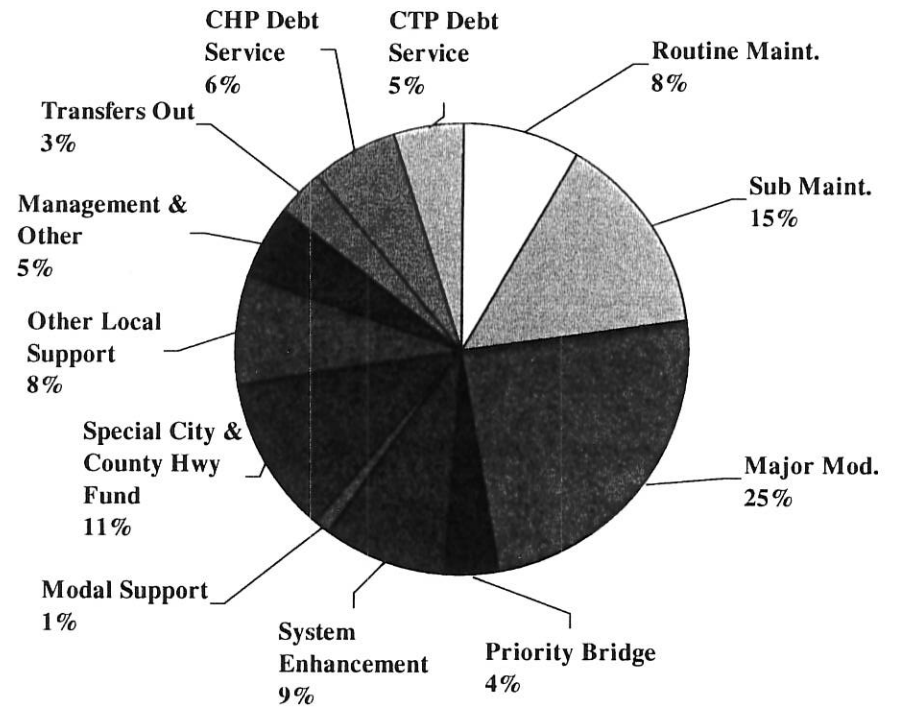
# Governor's Recommended Comprehensive Transportation Program FY 2000 - 2007

H-10

## Resources

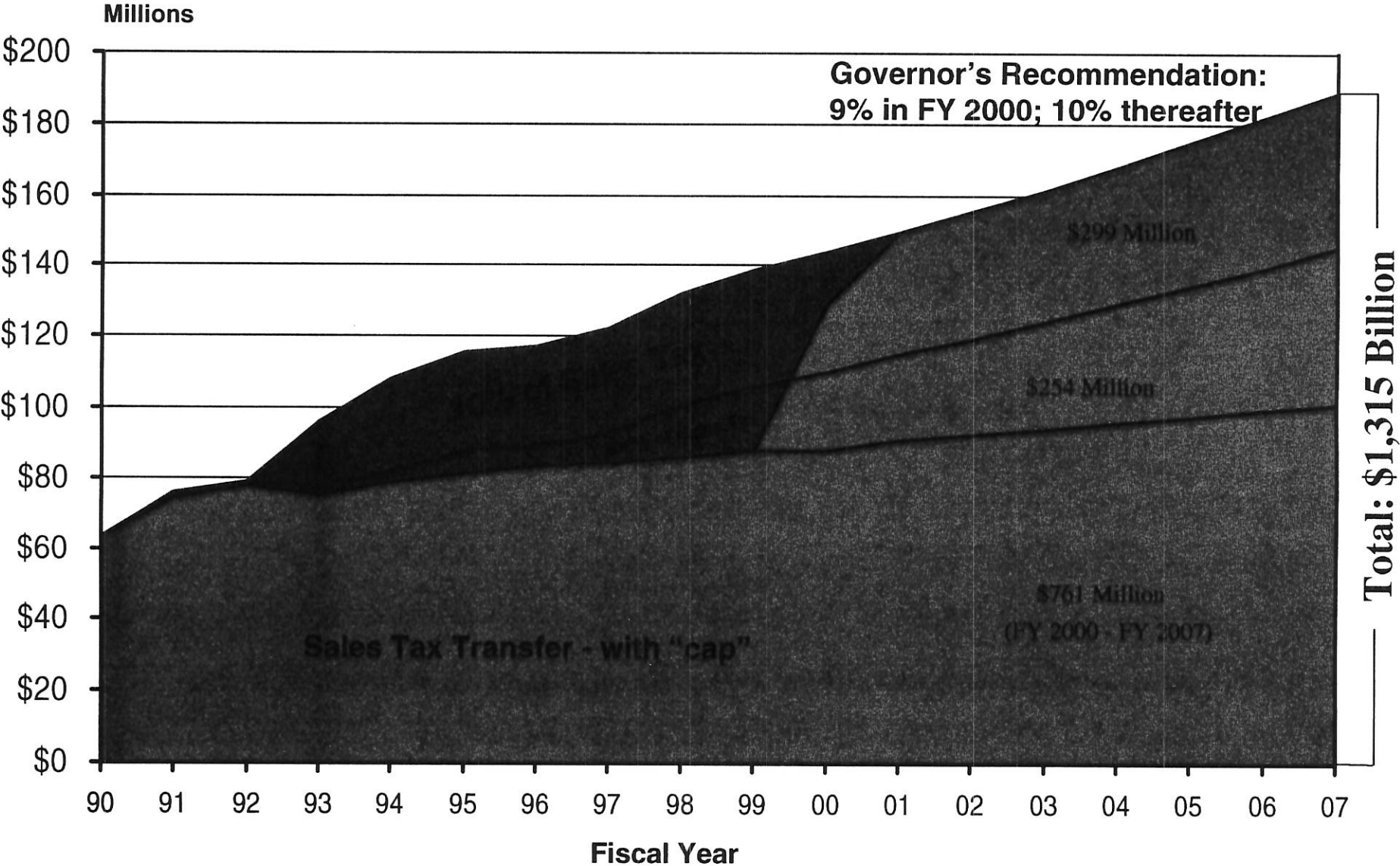


## Expenditures



# Sales Tax Transfer

4-11



H-12

# Annual Average Federal Funds

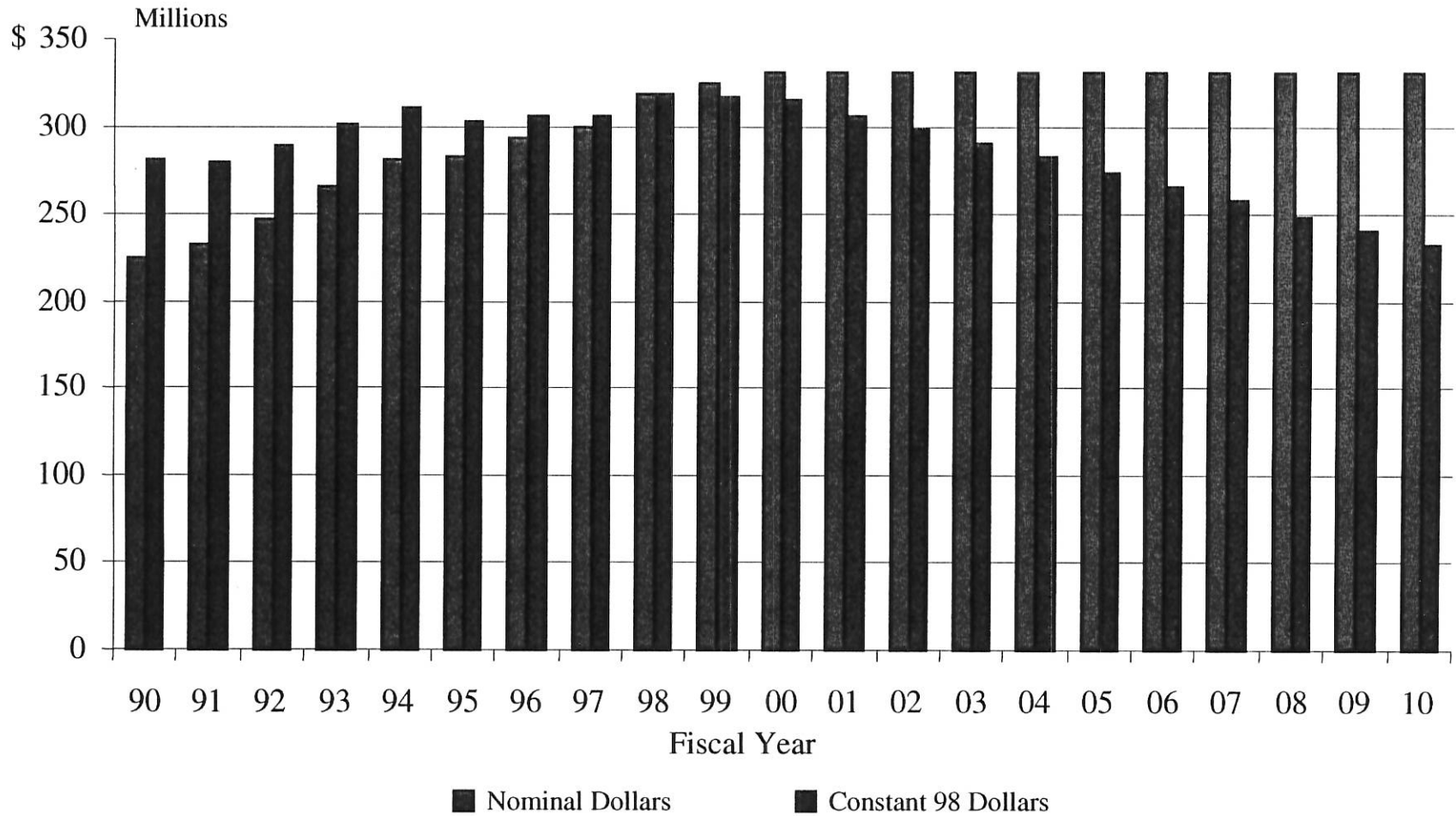
<b>(\$ Millions)</b>	<b>ISTEA FFY 1992-1997</b>	<b>TEA-21 FFY 1998-2003</b>	<b>ISTEA FFY 1992-1997 (Constant 2003 \$)</b>
<b>Total Authorized</b>	<b>\$ 211</b>	<b>\$ 306</b>	<b>\$ 266</b>
<b>Less: Demonstration Projects</b>	<b>13</b>	<b>19</b>	<b>16</b>
<b>Net Authorized</b>	<b>\$ 198</b>	<b>\$ 287</b>	<b>\$ 250</b>
<b>Less: Pass-Through to Cities and Counties</b>	<b>43</b>	<b>63</b>	<b>54</b>
<b>Safety Set-Aside</b>	<b>10</b>	<b>14</b>	<b>13</b>
<b>Transportation Enhancement Set-Aside</b>	<b>5</b>	<b>9</b>	<b>6</b>
<b>Planning Set-Aside</b>	<b>4</b>	<b>7</b>	<b>5</b>
<b>Authorized Federal Funds for State Construction</b>	<b>\$ 136</b>	<b>\$ 194</b>	<b>\$ 172</b>

# Annual Average Federal Funds

(\$ Millions)	TEA-21 FFY 1998-2003
<b>Total Authorized</b>	<b>\$ 306</b>
<b>Less: Demonstration Projects*</b>	<b>19</b>
<b>Net Authorized</b>	<b>\$ 287</b>
<b>Less: Pass-Through Funds to Cities and Counties</b>	<b>63</b>
<b>Safety Set-Aside</b>	<b>14</b>
<b>Transportation Enhancement Set-Aside</b>	<b>9</b>
<b>Planning Set-Aside</b>	<b>7</b>
<b>Authorized Federal Funds for State Construction</b>	<b>\$ 194</b>
<b>Less: Federal Funds Committed to Projects Previously Announced 7/97</b>	<b>145</b>
<b>Increase in Authorized Federal Funds</b>	<b>49</b>
<b>Anticipated Obligation Limitation</b>	<b>93%</b>
<b>Increase Committed to Projects Previously Announced 7/97 as Unfunded</b>	<b>\$ 46</b>

\*TEA-21 provided \$88 million to pay for 8 projects with an estimated \$451 million cost along with an additional \$23 million for unspecified projects. Only a limited amount of the demonstration money can be drawn per year. Approximately \$28 million of state funds would be required to match the federal aid, and another \$312 million of state funds would be needed to complete the projects.

# Motor Fuel Taxes Comparison of Nominal Dollars to Constant Dollars



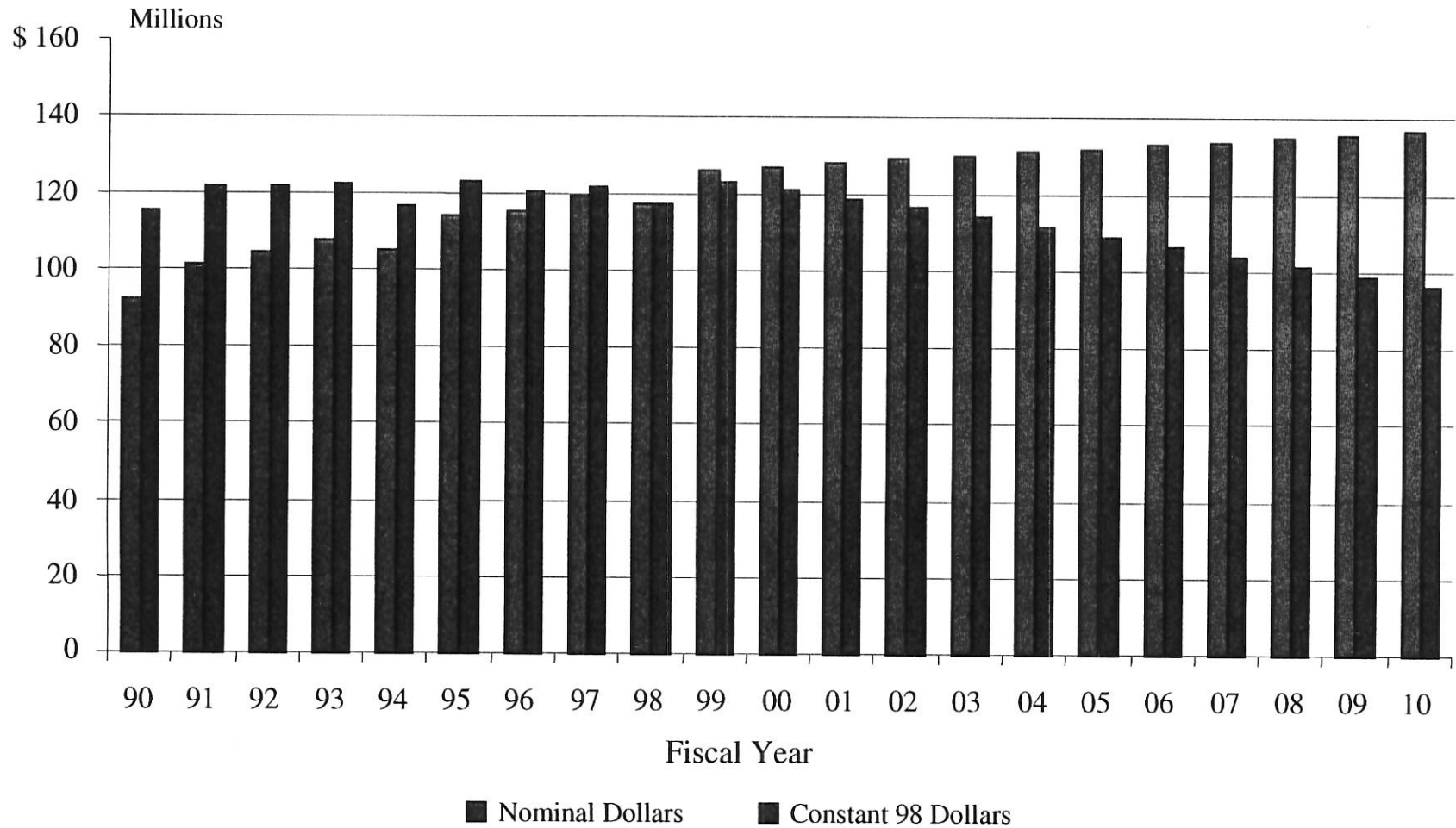
1990 - 1994 Phase-in on the Comprehensive Highway Program tax increase.  
1996 - 2000 Changes in reporting requirements and major enforcement effort by the Department of Revenue.  
Projections reflect the consensus of KDOT, Legislative Research Department, Division of Budget, & Department of Revenue.

Source: KDOT- Division of Administration

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# Registration Fees

## Comparison of Nominal Dollars to Constant Dollars



Projections reflect the consensus of KDOT, Legislative Research Department, Division of Budget, & Department of Revenue.



# **BOND FINANCE**

- **\$1.800 Billion In New Bond Authority**
- **\$0.368 Billion From Authority To Reissue Bonds As Principal Is Retired**
- **\$2.168 Billion Used In Financing Of Governor's Comprehensive Transportation Program**
  
- **Authority For Bonds To Have Up To 25-Year Terms**  
**While Roads And Bridges Will Require Maintenance,**  
**They Have An Asset Life More Than 25 Years**
  
- **4.75 Percent Interest Rate Assumed**

# ADVANTAGES OF BOND FINANCE

L1-K

- **Bonding allows citizens to benefit from the projects earlier.**
- **Bonding allows assets to be paid for as they are used, not before they are available for use.**
- **Bonding allows Kansas to “lock-in” current low interest rates and avoid risk of future inflation.**
- **Without bonding, it would be very difficult to ever have large enough cash balances to do System Enhancement Projects.**

# KANSAS DEPARTMENT OF TRANSPORTATION

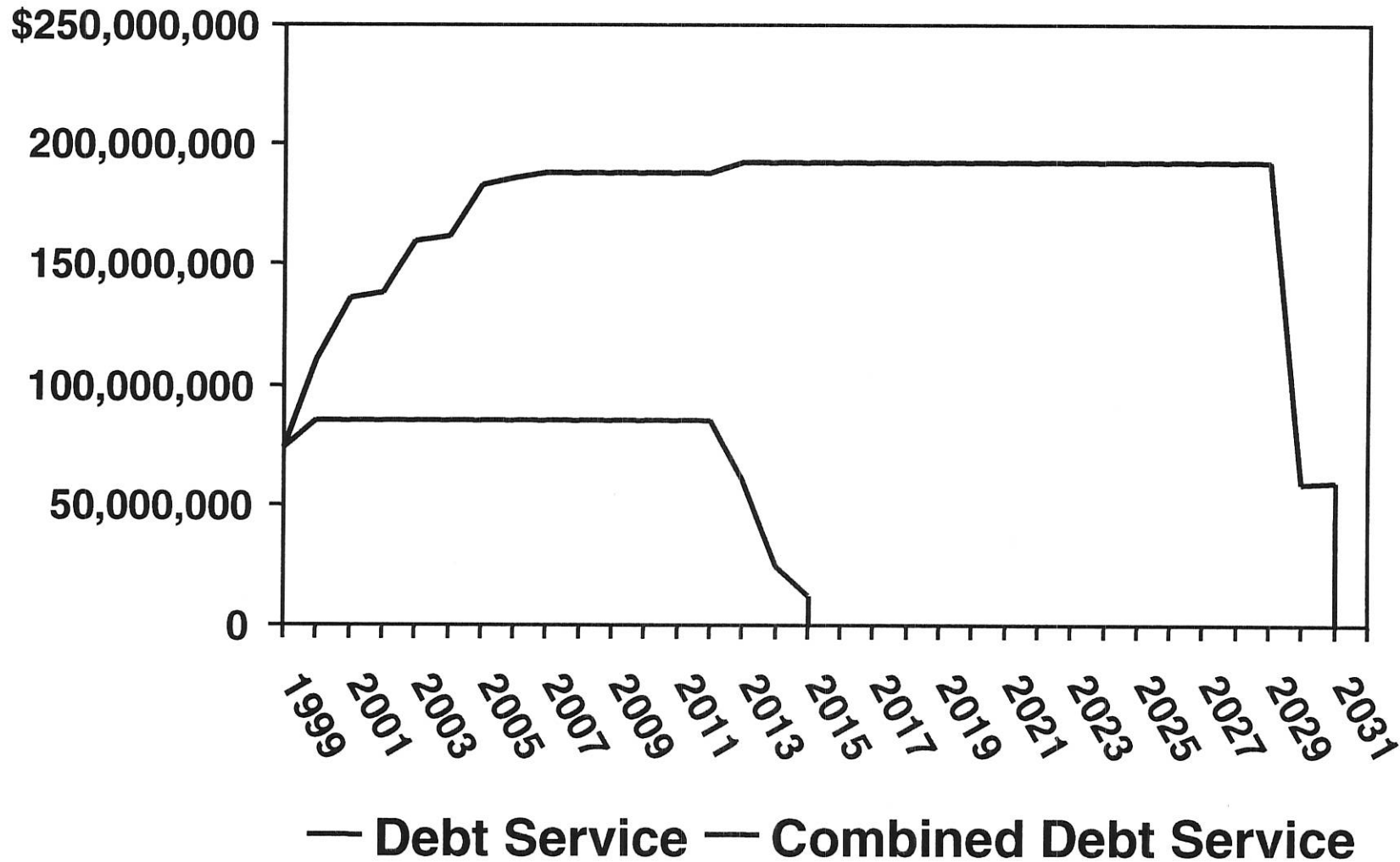
## Debt Service (In Thousands)

FY Ending 6/30	Current Debt		Governor's CTP Bonds				Combined Debt Service
	Out- Standing	Debt Service	Additional Bonds *	Principal	New Debt Service Interest	Total	
1999	\$ 832,035	\$ 73,747					\$ 73,747
2000		85,340	\$ 528,155	-	\$ 25,087	\$ 25,087	110,427
2001		85,333	541,570	-	50,812	50,812	136,145
2002		85,314	43,600	-	52,883	52,883	138,197
2003		85,321	445,785	-	74,058	74,058	159,378
2004		85,286	48,130	-	76,344	76,344	161,630
2005		85,290	450,640	-	97,749	97,749	183,040
2006		85,256	53,530	-	100,292	100,292	185,548
2007		85,225	56,585	-	102,980	102,980	188,205
2008		85,233		-	102,980	102,980	188,213
2009		85,222		-	102,980	102,980	188,202
2010		85,156		-	102,980	102,980	188,136
2011		85,155		-	102,980	102,980	188,134
2012		85,204		-	102,980	102,980	188,184
2013		60,466		\$ 28,810	102,980	131,790	192,256
2014		24,181		66,460	101,611	168,071	192,252
2015		12,351		81,450	98,454	179,904	192,255
2016				97,665	94,586	192,251	192,251
2017				102,305	89,946	192,251	192,251
2018				107,165	85,087	192,252	192,252
2019				112,250	79,997	192,247	192,247
2020				117,585	74,665	192,250	192,250
2021				123,170	69,079	192,249	192,249
2022				129,025	63,229	192,254	192,254
2023				135,145	57,100	192,245	192,245
2024				141,575	50,681	192,256	192,256
2025				148,290	43,956	192,246	192,246
2026				155,325	36,912	192,237	192,237
2027				162,705	29,534	192,239	192,239
2028				170,430	21,806	192,236	192,236
2029				178,525	13,710	192,235	192,235
2030				53,530	5,230	58,760	58,760
2031				56,585	2,688	59,273	59,273
<b>Total</b>	<b>\$ 832,035</b>	<b>\$ 1,279,080</b>	<b>\$ 2,167,995</b>	<b>\$ 2,167,995</b>	<b>\$ 2,216,356</b>	<b>\$ 4,384,351</b>	<b>\$ 5,663,431</b>

\* \$1.8 billion of new bonds plus the reissue of \$368 million retired principal. The timing and amount of each sale is only for illustration purposes.

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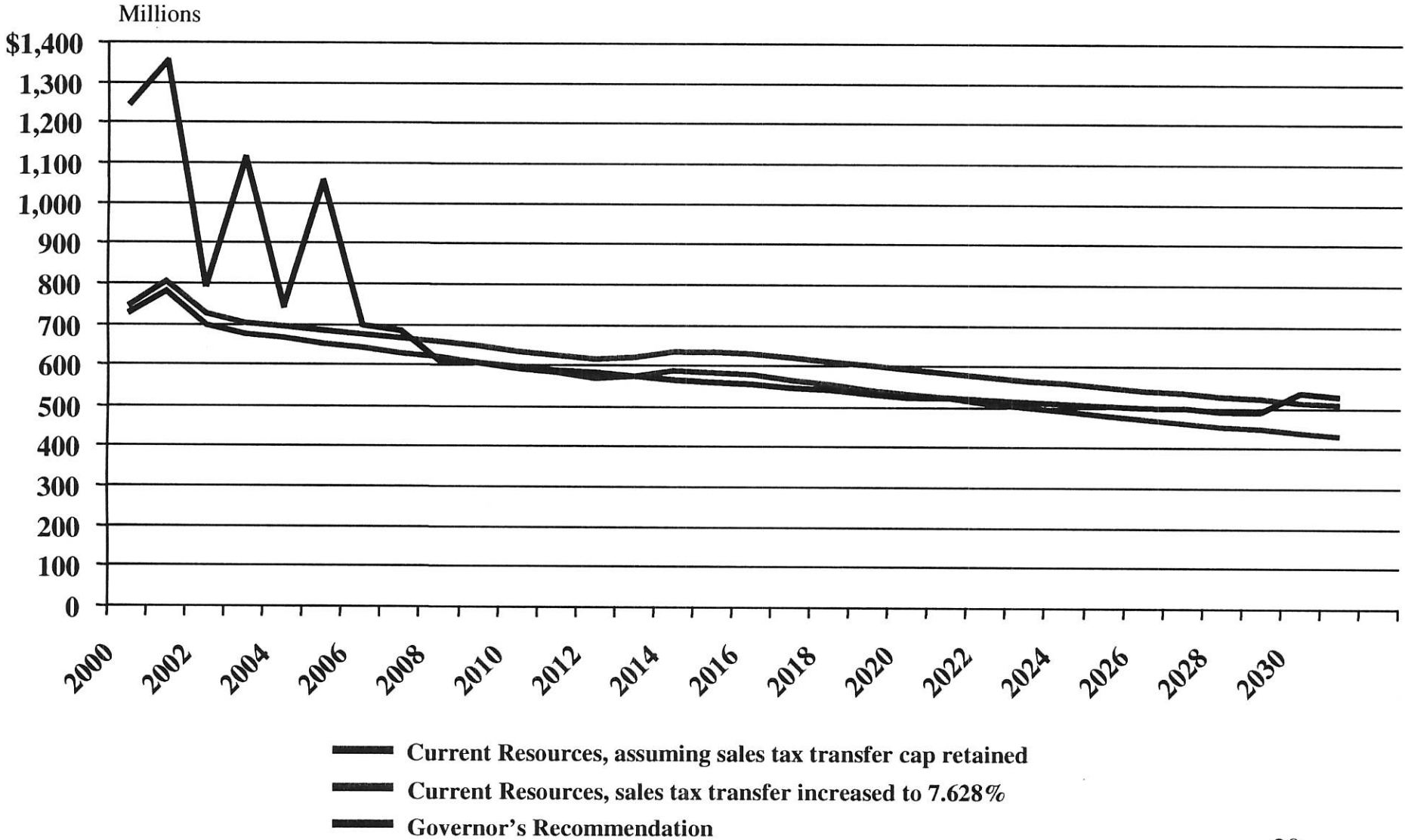
# KANSAS DEPARTMENT OF TRANSPORTATION Comparison of Debt Service



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### Comparison of Resources, Net of Debt Service (Constant Dollars)



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1/05/99