

## MINUTES OF THE SENATE WAYS &amp; MEANS COMMITTEE.

The meeting was called to order by Chairperson Dave Kerr at 11:00 a.m. on January 19, 2000 in Room 123-S of the Capitol.

All members were present except:

Committee staff present: Alan Conroy, Chief Fiscal Analyst, KLRD  
Norman Furse, Revisor of Statutes  
Michael Corrigan, Asst. Revisor of Statutes  
Rae Anne Davis, KS Legislative Research Department  
Debra Hollon, KS Legislative Research Department  
Judy Bromich, Administrative Assistant to the Chairman  
Ronda Miller, Committee Secretary

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

Others attending: See attached list

It was moved by Senator Jordan and seconded by Senator Morris that the Governor's appropriations bills be introduced. The motion carried on a voice vote.

Senator Salisbury moved and Senator Lawrence seconded that bill drafts 9rs 1434, 9rs 1496, 9rs 1507 be introduced as requested by the Department of Social and Rehabilitation Services. The motion carried on a voice vote.

It was moved by Senator Petty and seconded by Senator Downey that bill draft 9rs 1445 be introduced as requested by Senator Petty. The motion carried on a voice vote.

The Chairman welcomed the Secretary of Transportation, Dean Carlson, who presented an overview of the Comprehensive Transportation Program. (Attachment 1) He noted that 8 loans have been issued under the railroad loan program. In the aviation grant program, 27 projects have been approved for FY 2000, grant agreements are in progress on 28 projects in FY 2001, and 4 grant programs have been completed.

The Secretary told members that his agency has concern regarding the revenue estimating group's projections regarding receipts from motor fuel taxes and registration fees. He added, however, that the Department is confident that all the components of the Comprehensive Highway Plan (Major Modifications, System Enhancements, and Substantial Maintenance) could be completed under the Governor's budget adjustments assuming his demand transfer percentages are also adopted (9.5% in FY 2001, 11% in FY 2002, 11.25% in FY 2003, and 12% in FY 2004).

There was Committee discussion regarding the sale of bonds. The Secretary noted that \$325 million worth of bonds had been sold at 5.4% in August. In answer to a question, he clarified that actual bond sales were more expensive than projected in May. He stated that the agency may consider selling some variable rate bonds in FY 2001 and 2002 because the combination of fixed & variable rate bonds help lower the interest. He told members that the agency is spending proceeds from the sale of bonds and saving the Highway money as an offset. In answer to a question regarding the refinancing of bonds, Secretary Carlson stated that if the agency can maximize the return, the earnings would go into the Highway Fund and is reported to Legislative Research on a regular basis.

Secretary Carlson was asked whether rising costs of oil products will have an impact on any of the highway projects. He answered that if prices continue to go up, the Department may need to put adjustment factors

CONTINUATION SHEET

SENATE WAYS & MEANS COMMITTEE MINUTES

into the bids.

In reviewing the federal demonstration projects (Attachment 1-13), Secretary Carlson told members that \$111 million of the \$132 million is federal money and \$20 million is the local match. In answer to a question regarding obligation authority (Attachment 1-14), the Secretary stated that the agency anticipated getting 93% of the T21 monies and is receiving only 89% because of the costs associated with the Federal Highway Administration, research programs, certain demonstration projects, etc. He added that every state is having the same experience. { Following the meeting, Secretary Carlson stated in a letter dated January 20, 2000 that "the agency has chosen to be slightly more optimistic by reducing projections to only 90% rather than the 89% that I indicated in my presentation," and also provided corrections to a table in his written testimony. (Attachment 2)}

The Chairman thanked Secretary Carlson for his presentation and adjourned the meeting at 12:00 noon.

The next meeting will be January 20, 2000.



# **Comprehensive Transportation Program**

## **Kansas Department of Transportation**

### **Presentation to Senate Ways and Means Committee**

**January 19, 2000**

The Comprehensive Transportation Program (CTP) is a package of state revenue enhancements coupled with projected federal transportation funding for FY 2000 through FY 2009.

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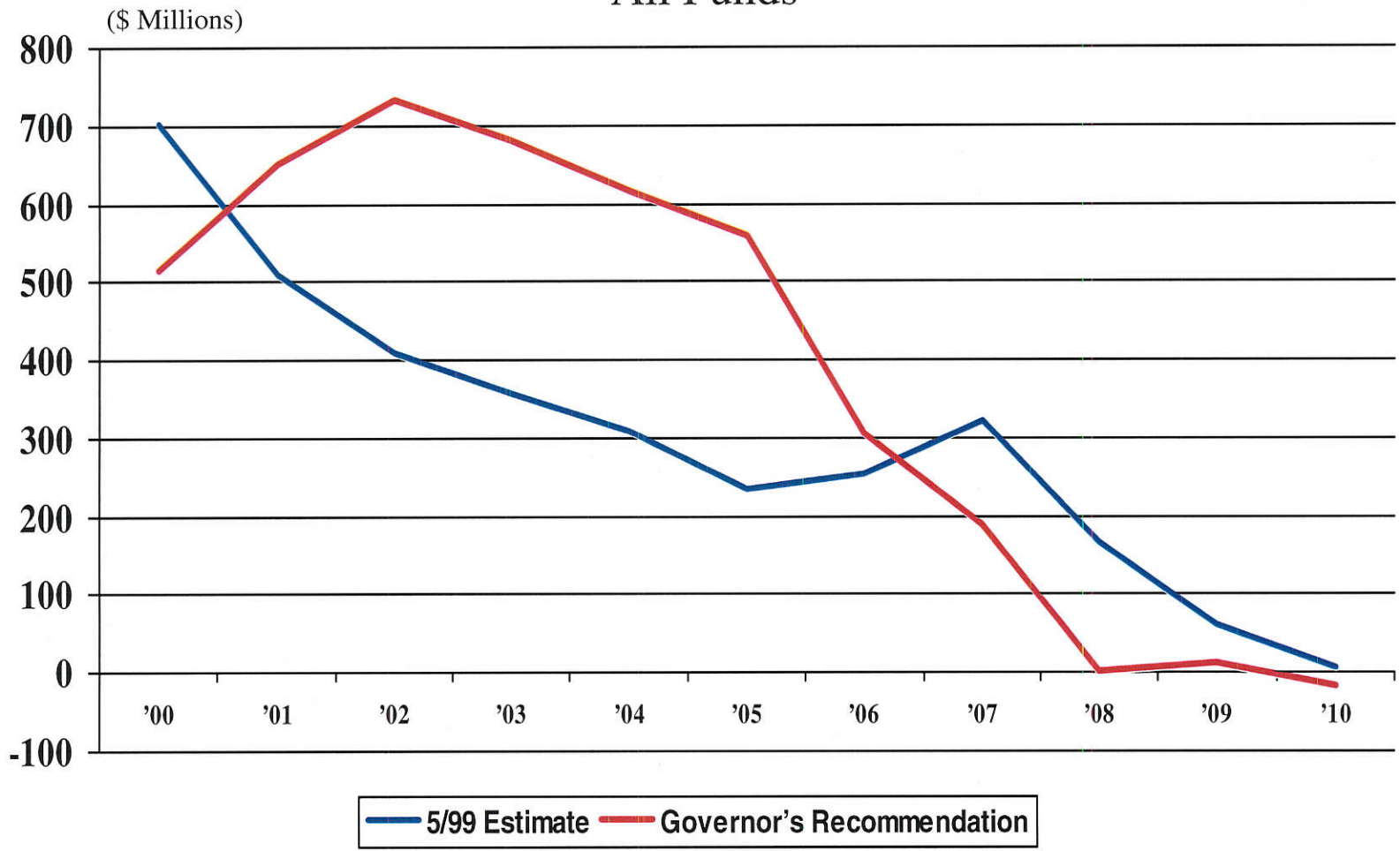
The Comprehensive Transportation Program is on track:

- ◆ A railroad loan program has been initiated;
- ◆ The public transportation distribution formulas have been revised, and grants are being processed;
- ◆ Cash receipts to the State Highway Fund are essentially as anticipated;
- ◆ Major modification and priority bridge projects are on schedule;
- ◆ An aviation grant program has been initiated; and
- ◆ System enhancement project applications have been received and a process established for final determination of funding from the following project applications:

	Corridors	Bypasses	Interchange	Total
Rural	73	20	7	100
Urban	<u>11</u>	<u>3</u>	<u>29</u>	<u>43</u>
Total	84	23	36	143

# Available Ending Balance

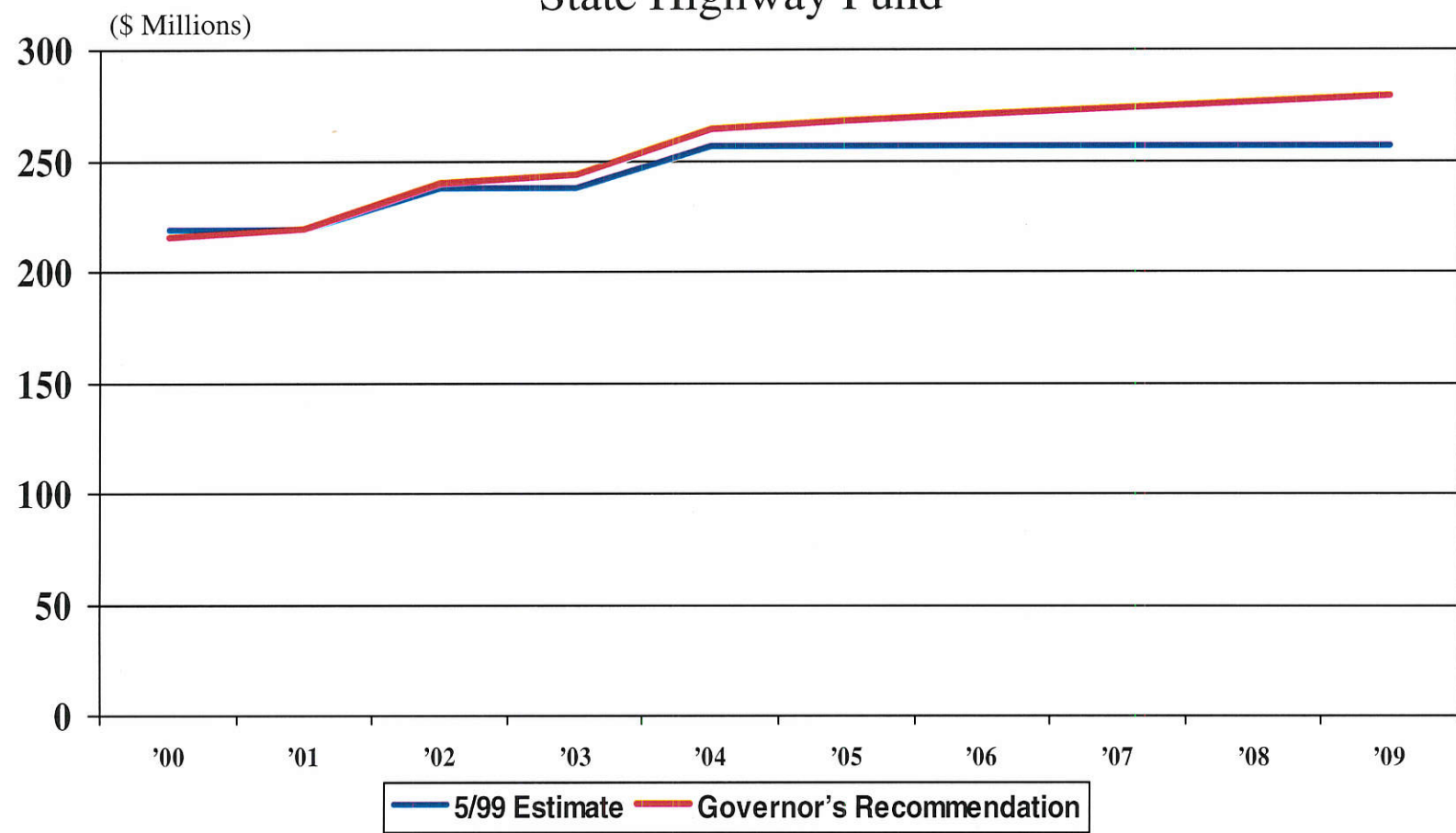
## All Funds



Available ending balance reflects amounts required to satisfy bond debt service requirements, funds allocated by statute for distribution to specific programs, a calculation of a necessary reserve to complete CTP projects, and an amount necessary to provide for orderly payment of agency bills.

# Motor Fuel Taxes

## State Highway Fund

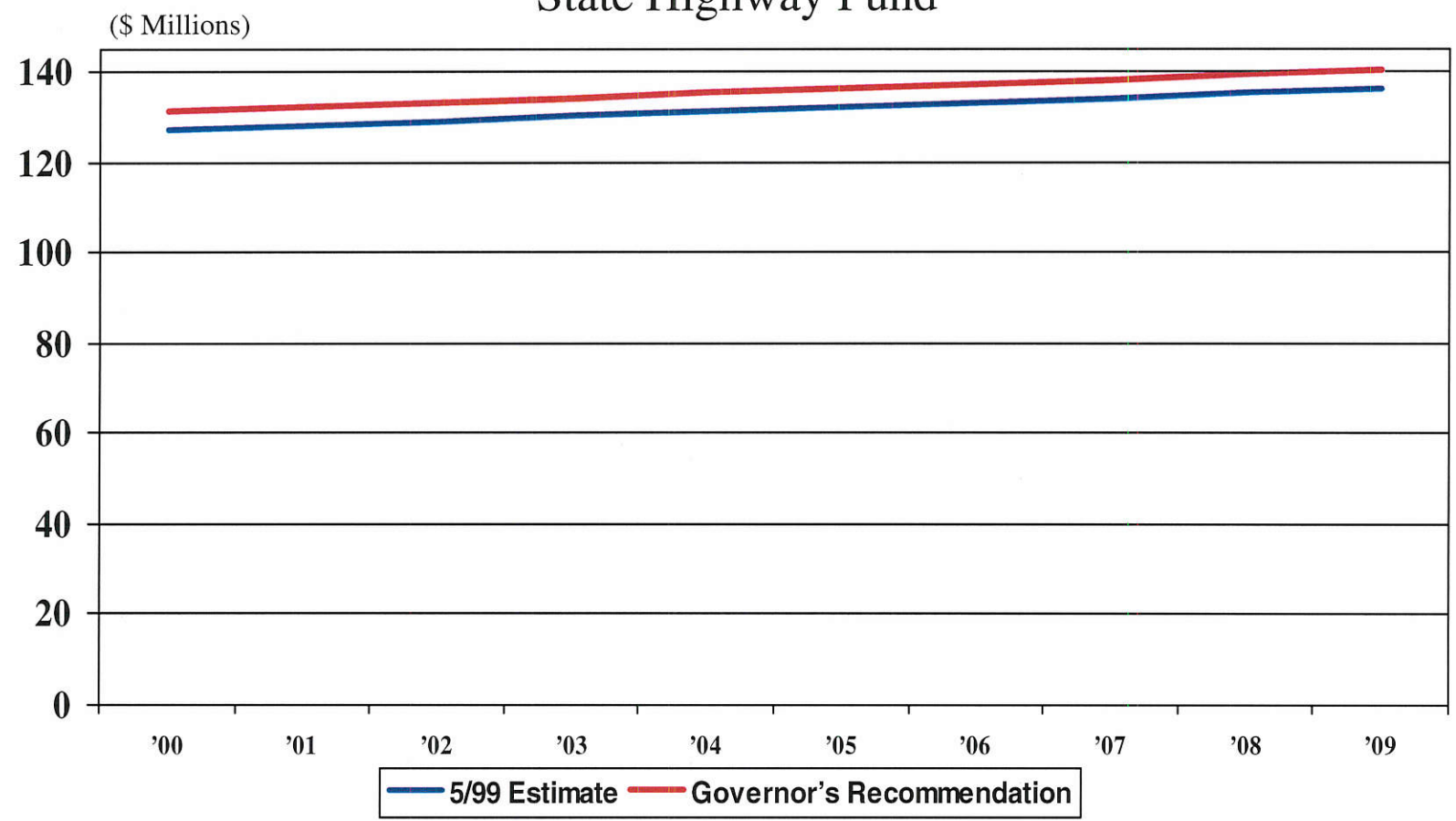


Motor Fuel Collections for the first 6 months of FY 2000 are \$788 thousand or 0.37% behind estimate. Expected range is between a + \$3 million and a - \$8 million



# Registration Fees

## State Highway Fund

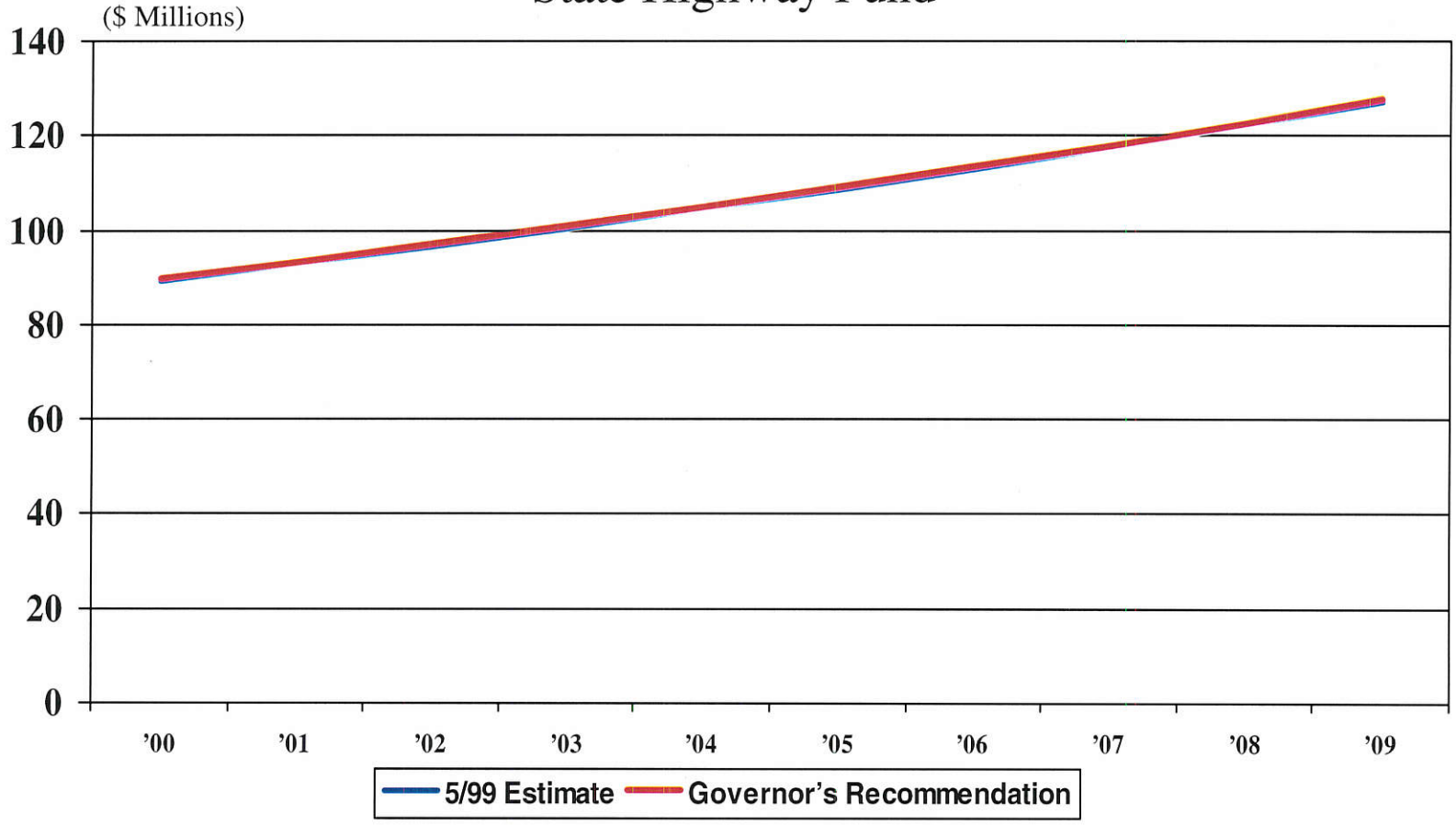


Registration Fee Collections for the first 6 months of FY 2000 are \$7.8 million or 5.93% behind estimate. Expected range is between a + \$1.3 million and a - \$0.9 million



# 1/4 Cent Sales Tax

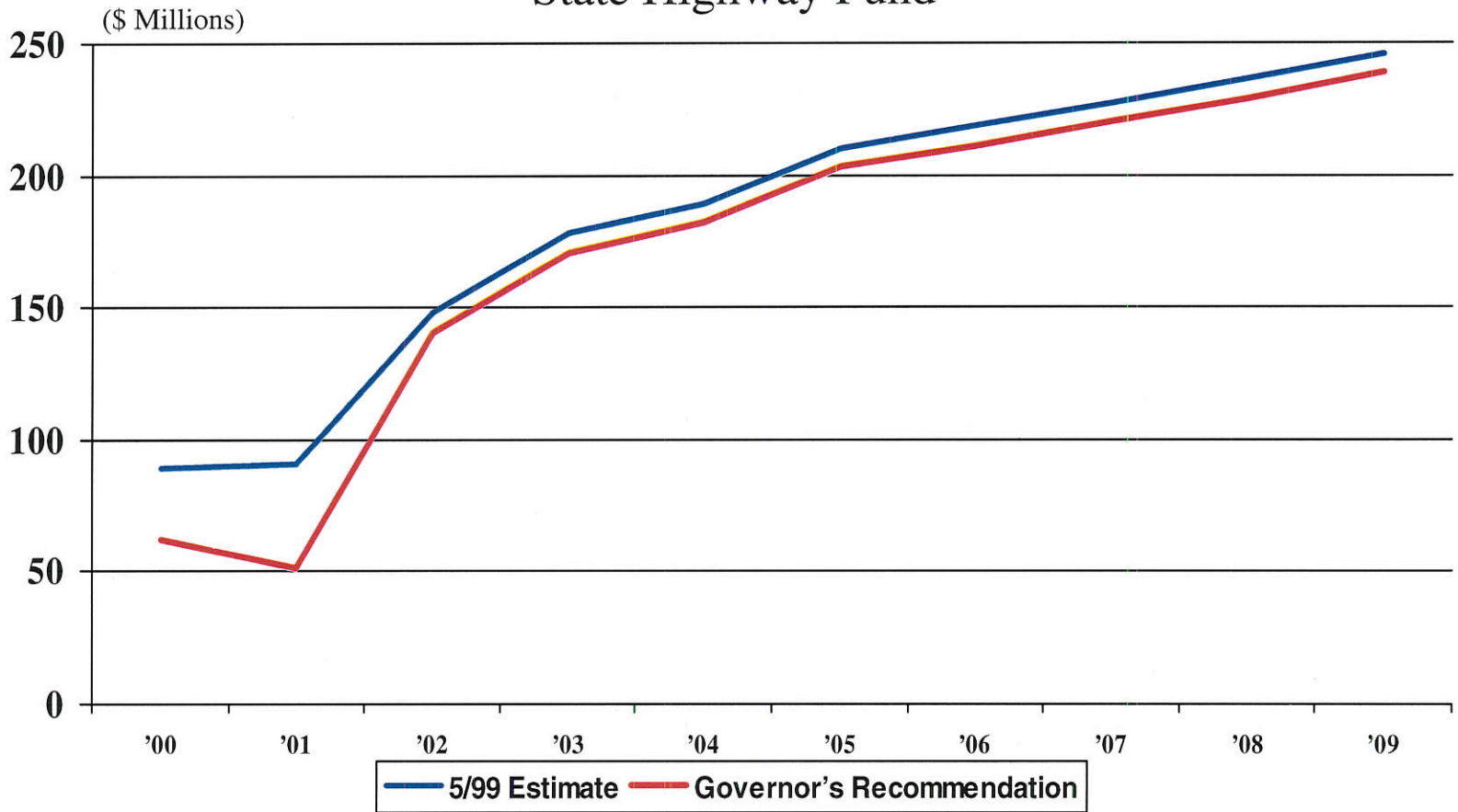
## State Highway Fund



1/4 cent Sales Tax Collections for the first 6 months of FY 2000 per State Consensus Estimating Group are \$575 thousand or 0.64% behind estimate. Expected range is between a + \$0.7 million and a - \$4.9 million

# Sales Tax Transfer

## State Highway Fund



Reflects Governor's proposed reductions for 2000 and 2001 and the \$7.5 million per year for the balance of the program.

## Bond Sales

- ◆ The CTP legislation gives the Secretary the authority to establish the schedule of bond sales
  
- ◆ Anticipated bond sales as projected during the session were influenced by the economic assumptions made as to
  - Bond interest rates
  - Agency interest earning rates
  - Agency cash flow needs
  
- ◆ Current projections reflect
  - Change in bond interest rates
  - Increase in agency interest earnings rates
  - Economic conditions
  - Agency cash flow needs
  
- ◆ Earlier sales
  - Lock in favorable interest rates
  - Shorten the time after the program that bonds continue to be paid
  - Reduce available funds during the program from increased debt service
  - Permit increased interest earnings to offset increased debt service

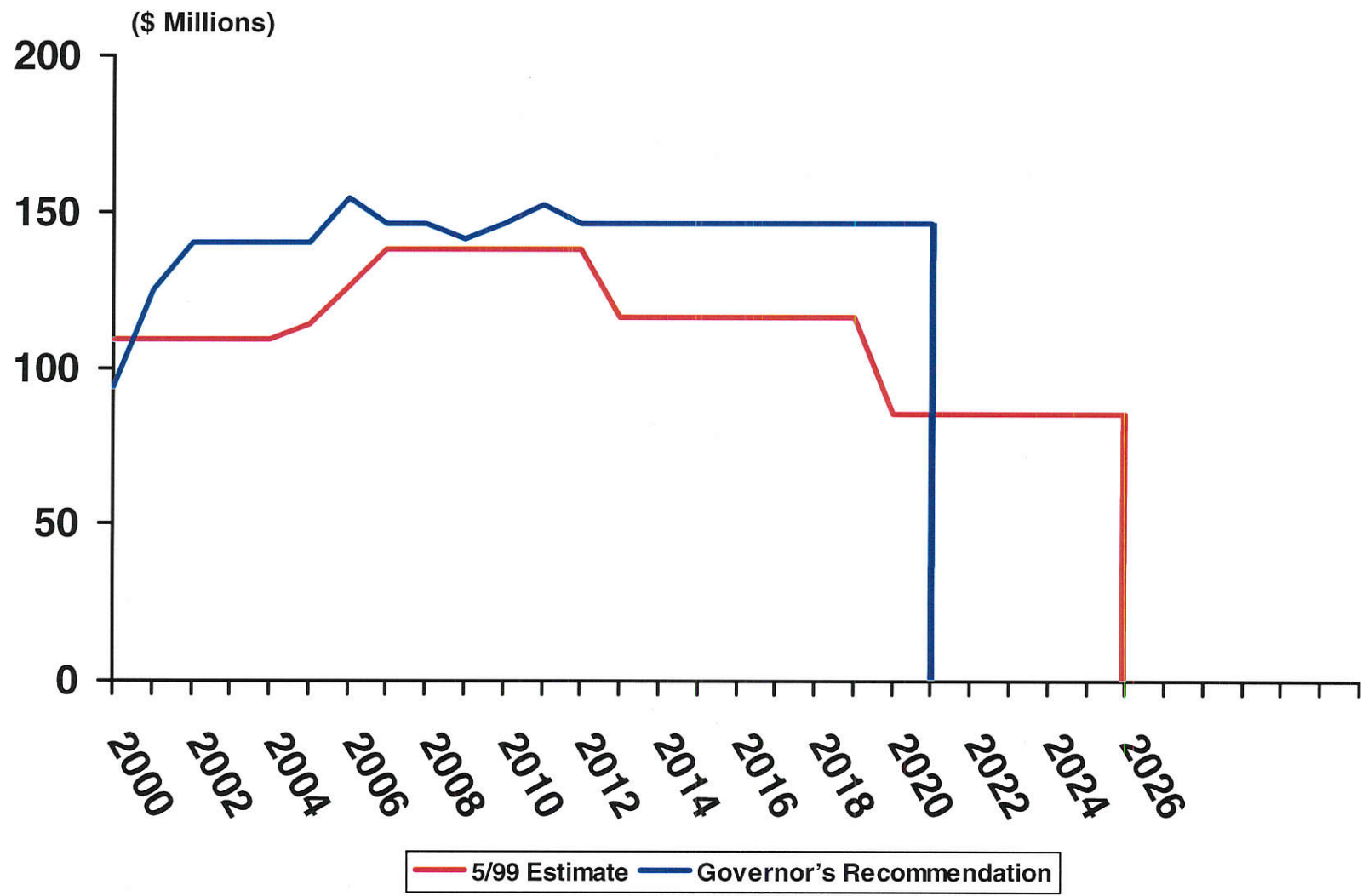
# Bond Issues

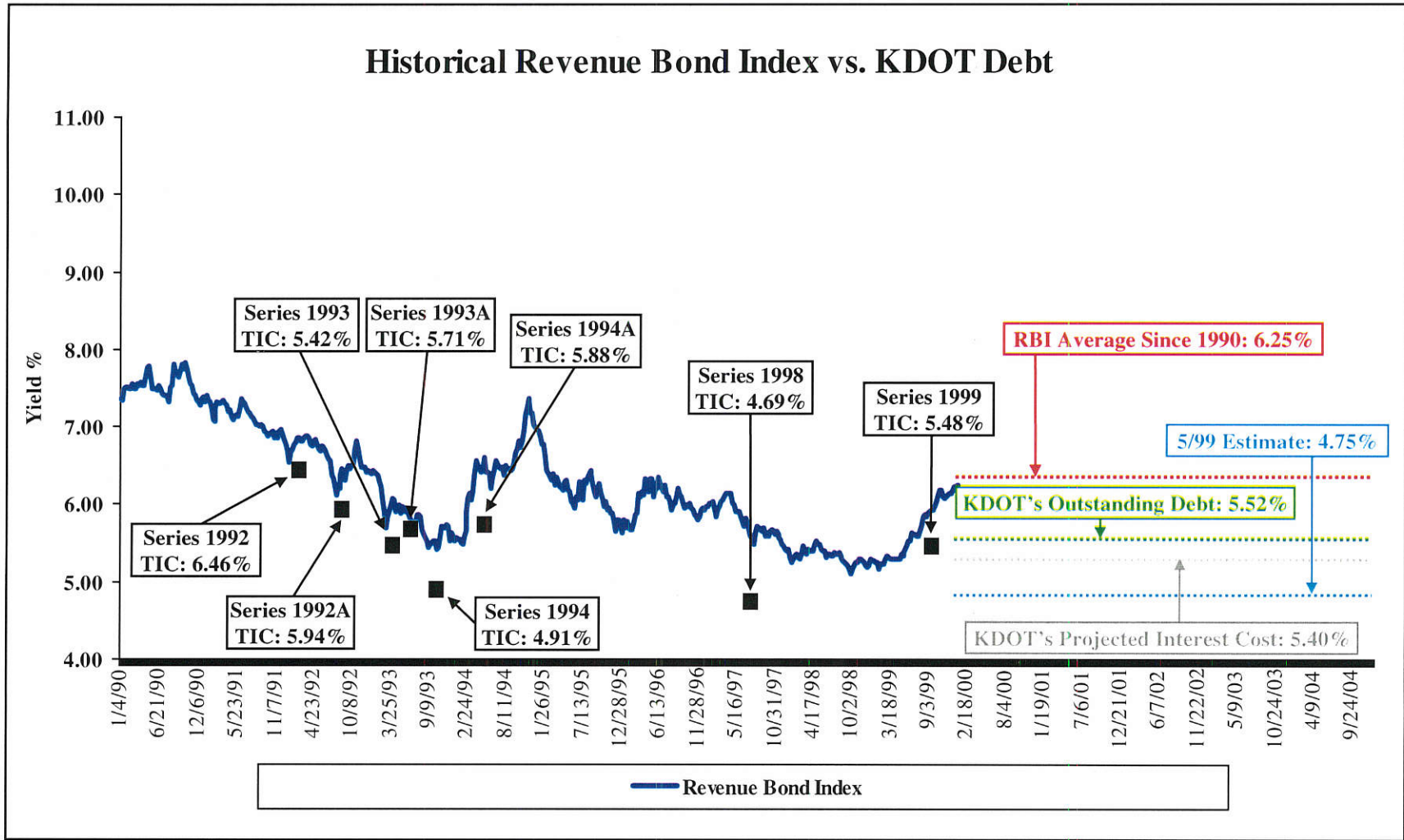
(\$ Millions)

<u>Fiscal Year</u>	<u>5/99 Estimate</u>	<u>Governor's Recommendation</u>
2000	500	325
2001		400
2002		270
2003		
2004		
2005		
2006	245	
2007	250	
2008		
2009		
<b>Total</b>	<b>995</b>	<b>995</b>

The Secretary of Transportation is authorized by statute to determine the size and timing of individual bond issues. Actual bond sales are subject to economic conditions and the cashflow needs of the agency.

# Comparison of Debt Service





*Note: Revenue Bond Index is a compilation of 25 select revenue bonds maturing in 30 years. Ratings on these bonds range from Baa1 to Aa1.*

**REVIEW OF CHANGES IN FORECASTED REVENUES AND EXPENDITURES  
FOLLOWING THE 1999 LEGISLATIVE SESSION FOR THE CTP PERIOD  
(000)**

1-12

	<u>SOURCES OF FUNDS</u>	<u>USES OF FUNDS</u>	<u>NET IMPACT</u>
<b>• <u>Changes in the September 1999 Budget Request</u></b>			
<b>Beginning Balance</b> – Beginning balance was higher primarily from lag in FY 99 construction payouts			
Beginning Balance	\$ 84,175		
Shift in State Projects		\$ 83,882	
Subtotal – Net Change	<u>84,175</u>	<u>83,882</u>	\$ 293
<b>Bonds &amp; Investments</b> – The economy changed resulting in increased investment earnings, higher interest payments on the bonds, and a change in the timing and structure of the bonds.			
Interest	79,365		
Bond Structure -- Premium	16,375		
Debt Service		178,872	
Subtotal – Treasury Adjustments	<u>95,740</u>	<u>178,872</u>	(83,132)



• **Revenue Adjustments**

<b>Motor Fuel Taxes</b> – Increase based on Highway Revenue Estimating Group	153,300		
Increase in Special City & County HF		53,002	
<b>Registration Fees</b> – Increase based on Highway Revenue Estimating Group	40,000		
<b>Sales Tax</b> – Increase based on State Consensus Estimates	4,645		
<b>Sales Tax</b> – Reduction in the Sales Tax Transfer – Governor’s Recommendation			
FY 2000	(27,153)		
FY 2001	(39,595)		
FY 2002-2009	(60,000)		
<b>Driver’s Licenses</b> – Increase based on FY 99 actual collections	10,330		
<b>Local Funds</b> – project enhancements	<u>27,627</u>		27,627
<b>Miscellaneous Revenue Changes</b>	<u>(853)</u>		
Subtotal – Revenue Adjustments	<u>108,301</u>	<u>53,002</u>	<u>55,299</u>

**Federal Revenue Adjustments**

**Federal Demonstration Projects** – Federal demonstration projects and some local participation was not included in Legislative Session projections; however, KDOT is now able to use the federal and local money for those projects but only those projects.

Federal Demonstration Projects	131,982	131,982	
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4-1-1

**Receipts Timing** – Federal reimbursement  
 can now be claimed earlier. This pulls  
 money into the period and reduces resource  
 in the post period. This requires an increase  
 in ending balance.

Shift in Local Projects

113,604	76,482
	20,903

**Federal Limitation** -- Reduction in federal  
 Obligation authority

State System

(83,383)

Local Federal Aid Projects

(43,260)

(43,260)

Local Share of Federal Aid Projects

(10,815)

(10,815)

135,755

175,292

(39,537)

• **KDOT Expenditure Adjustments**

Agency Operations Reduction

(17,677)

Substantial Maintenance Reduction

(3,272)

Transfers to Other Agencies Increase

3,640

Rail Loan Program Increase

1,910

SCCHF Timing Estimate Refinement

(2,312)

(17,711)

17,711

• **Governor's Recommended Expenditure  
 Reductions**

Deferral – RR Grade Separations

(3,000)

Deferral – Guard Fence Upgrades

(5,000)

Deferral – LP RR Grade Separations

(9,224)

Engineering Contracts

(12,000)

Buildings

(6,182)

Agency Operations

(16,342)

(51,748)

51,748

**Decrease in Available Resources from Governor's Recommendations**

(25,245)

## REVIEW OF CHANGES IN FY 2000 AND FY 2001 BUDGETS

### FY 2000 Governor's budget changes incorporate:

- ◆ A reduction in the sales tax transfer of \$27.2 million;
- ◆ A net reduction of \$8.3 million in other receipt sources for the State Highway Fund: reductions of \$4.1 million in motor fuels receipts, \$ .5 million in interest earnings, \$6.9 million in federal funds, and \$1.1 million in local matching funds and increases of \$4.0 million in vehicle registration fees and \$ .3 in the ¼ cent sales tax receipts;
- ◆ A reduction of \$5.4 million in agency operations;
- ◆ A recognition of \$14.2 million in savings from three miscellaneous construction program categories, railroad grade separations (\$3 million), guard fence updates (\$5 million), and local partnership railroad grade separations (\$6.2 million); and
- ◆ A reduction of \$2.1 million in SCCHF motor fuels distribution resulting from the revised Consensus Revenue Estimates.

### FY 2001 Governor's changes:

- ◆ A reduction in the sales tax transfer of \$39.6 million;
- ◆ A net increase of \$6.6 million in other receipt sources to the State Highway Fund: reductions of \$1.0 million in interest earnings and \$1.1 million in local matching funds and increases of \$4.0 million in vehicle registration receipts, \$ .1 million in motor fuels receipts, \$ .2 million in the ¼ cent sales tax receipts and \$4.4 million in federal funds;
- ◆ A reduction of \$10.9 million in agency operations;

A reduction of \$12.0 million in design contracts and \$3.0 million in RR grade separation projects;

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- ◆ A reduction of \$6.2 million in building projects; and
- ◆ A reduction of \$1.5 million in SCCHF distribution (\$630,246 in motor fuels receipts and \$838,637 in the motor carrier property tax transfer).

KDOT can still complete the intended Comprehensive Transportation if:

- ◆ No further adjustments are made to the sales tax transfer;
- ◆ Future year actual state sources receipts as projected in the revised consensus estimates materialize;
- ◆ Federal obligation authority after TEA-21 materializes as projected; and
- ◆ Inflation rates on construction projects stay within estimates.

KANSAS DEPARTMENT OF TRANSPORTATION

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	FY 2000 Gov. Rec.	Gov. Adj.	FY 2000 Net Adj.	Reportable Increase	FY 2001 Gov. Rec. **	FY 2001 Gov. Adj.
	\$	\$			\$	\$
Agency Operations						
Salaries						
Base	116,779,606	(267,174)	(1,891,193)		118,142,839	(2,811,769)
Overtime	5,245,683	0	817,905		5,317,577	0
Part-time	2,707,736	0	214,784		2,693,007	0
Subtotal	124,733,025	(267,174)	(858,504)		126,153,423	(2,811,769)
OOE						
Data Systems Op.	4,274,083	0	0		5,424,266	0
Data Systems Dev.	6,016,729	0	1,000,000		3,545,299	(2,104,000)
Maint.(200 & 300's)*	37,308,904	(2,000,000)	(2,564,982)		38,983,234	0
Travel	3,069,157	(341,018)	(353,986)		3,212,511	(353,404)
Capital Outlay	20,857,873	(2,317,541)	2,213,113		22,864,257	(5,644,402)
Other	10,687,131	0	(445,160)		10,692,802	1
Subtotal	82,213,877	(4,658,559)	(151,015)		84,722,369	(8,101,805)
Subtotal Limited						
Agency Operating	206,946,902	(4,925,733)	(1,009,519)		210,875,792	(10,913,574)
KSIP	4,530,654	(503,406)				
Total Agency Operating	211,477,556	(5,429,139)	(1,009,519)		210,875,792	(10,913,574)
Aid to Locals						
Special City/County	152,692,577	(2,100,960)	(3,320,075)		158,417,943	(1,468,883)
Other	18,864,000	0	(3,685,039)		20,276,000	0
Subtotal	171,556,577	(2,100,960)	(7,005,114)		178,693,943	(1,468,883)
Claims	400,000	0	200,000		400,000	0
Project Cost						
Design/Appr. Contracts	43,750,000	0	0	0	34,000,000	(12,000,000)
Inspection Contracts	8,000,000	0	(7,000,000)**	0	9,000,000	0
State Projects	347,768,000	(14,224,000)	(15,407,567)	(15,407,567)	479,047,000	(3,000,000)
Local Projects	98,371,000	0	(10,221,000)**	0	102,681,700	0
Buildings	10,884,012	0	5,496,210	0	3,124,395	(6,181,762)
Debt Service	96,192,717	0	(13,002,147)	0	139,035,928	0
Substantial Maintenance	162,928,000	0	(381,000)	0	166,416,000	0
Subtotal	767,893,729	(14,224,000)	(40,515,504)	(15,407,567)	933,305,023	(21,181,762)
Subtotal	1,151,327,862	(21,754,099)	(48,330,137)	(15,407,567)	1,323,274,758	(33,564,219)
Less Bonds	325,032,129	0	(82,967,871)	(82,967,871)	400,000,000	0
Total	\$826,295,733	(21,754,099)	\$34,637,734	\$67,560,304	\$923,274,758	(33,564,219)

\* Less Travel

\*\* These adjustments plus \$1,181,507 reduction by KDOT in State Projects less the \$82,967,871 increase in reportable expenditures equals an increase of \$64,563,304 reflected by DOB as an intermediate construction total increase.

STATE OF KANSAS

KANSAS DEPARTMENT OF TRANSPORTATION  
OFFICE OF THE SECRETARY OF TRANSPORTATION

E. Dean Carlson  
SECRETARY OF TRANSPORTATION

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TTY (785) 296-3585

Bill Graves  
GOVERNOR

January 20, 2000

The Honorable Dave Kerr, Chairman  
Senate Ways and Means Committee  
Room 120-S, State Capitol Building  
Topeka, Kansas 66612

Dear Chairman Kerr:

During my presentation to the Senate Ways and Means Committee, I indicated that KDOT had revised its projections for available federal funding by reducing the estimated obligation authority limitation from 93% to 89% based on our three years of experience under TEA-21. Although the actual limitations for the past three years have been 89% or less, the agency has chosen to be slightly more optimistic by reducing projections to only 90% rather than the 89% that I indicated in my presentation.

In addition, it has been discovered that the table included on pages 11 through 13 of our handout contained some errors. In an effort to make the table more understandable, a last minute decision was made to change the location of a line item, and we failed to make the necessary corrections to all of the internal subtotals. The bottom line number was correct, but the subtotals would not add to that number. I have attached a copy of the corrected table for your information and records.

I certainly apologize for any problem or confusion our inaccuracies may have caused, and hope that the presentation was responsive to the Committee's interests and concerns.

Sincerely,



E. Dean Carlson  
Secretary of Transportation

Attachment

cc: Committee Members w/a

Senate Ways and Means Committee

Date *January 19, 2000*

Attachment # *2*

2-2

**REVIEW OF CHANGES IN FORECASTED REVENUES AND EXPENDITURES  
FOLLOWING THE 1999 LEGISLATIVE SESSION FOR THE CTP PERIOD  
(000)**

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2-4

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**Federal Limitation** -- Reduction in federal Obligation authority

State System

(83,383)
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Local Federal Aid Projects

(43,260)	(43,260)
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Local Share of Federal Aid Projects

<u>(10,815)</u>	<u>(10,815)</u>
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<u>108,128</u>	<u>175,292</u>	(67,164)
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• **KDOT Expenditure Adjustments**

Agency Operations Reduction

(17,677)
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Substantial Maintenance Reduction

(3,272)
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Transfers to Other Agencies Increase

3,640
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Rail Loan Program Increase

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SCCHF Timing Estimate Refinement

<u>(2,312)</u>
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<u>(17,711)</u>	<u>17,711</u>
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• **Governor's Recommended Expenditure Reductions**

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(3,000)
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Deferral – Guard Fence Upgrades

(5,000)
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Deferral – LP RR Grade Separations

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Engineering Contracts

(12,000)
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Buildings

(6,182)
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Agency Operations

<u>(16,342)</u>
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<u>(51,748)</u>	<u>51,748</u>
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**Decrease in Available Resources from Governor's Recommendations**

<u>(25,245)</u>
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