

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairman Melvin Neufeld at 9:00 a.m. on January 28, 2004 in Room 514-S of the Capitol.

All members were present except:

Representative Brenda Landwehr- excused

Committee staff present:

J. G. Scott, Legislative Research
Robert Waller, Legislative Research
Debra Hollon, Legislative Research
Mike Corrigan, Revisor of Statutes
Nikki Feuerborn, Administrative Analyst
Shirley Jepson, Committee Secretary

Conferees appearing before the committee:

Deb Miller, Secretary of Department of Transportation (DOT)

Others attending:

See Attached List.

- Attachment 1 Overview of Department of Transportation (DOT)

Representative Gatewood introduced his intern, David McCandles, a student from Kansas State University.

Representative Merrick moved to introduce legislation regarding an act pertaining to state educational institutions under the control and supervision of the Board of Regents relating to tuition and fee waivers for former prisoners of war. The motion was seconded by Representative Feuerborn. Motion carried.

Chair Neufeld recognized Deb Miller, Secretary of the Department of Transportation (KDOT), who presented an overview of the Department of Transportation and the status of the Comprehensive Transportation Program (CTP) (Attachment 1). Secretary Miller reported that the CTP program, a ten-year program passed by the 1999 Legislature at a cost of \$5.7 billion, is now at its mid-point with more than \$2 billion in projects let to date. Included with Secretary Miller's presentation is a map showing projects which are currently programmed for FY 2005-FY 2009.

The Secretary noted that because of the downturn in the Kansas economy, the sales tax transfer from the State General Fund (SGF) for funding the CTP, has been less than proposed or withheld completely. The Department has taken steps to preserve the program; however, Secretary Miller stated that if the sales tax is withheld for the remainder of the program through FY 2009, it will be necessary to look at other revenue sources to fund the program. The Committee requested information, pertaining to the legislation increasing motor fuel tax and registration fees to offset the loss of the sales tax revenue. Secretary Miller explained that the Governor's proposal recommends no SGF sales tax transfer to the Highway fund in FY 2005 or FY 2006, a 3 percent transfer in FY 2007 and 6 percent in FY 2008 and each year thereafter. As proposed by the Governor, replacement funding would come from general fund-backed bonds.

Secretary Miller noted that savings have been realized when adjustments were made to the system enhancement program after it was determined that some projects were built for less money than anticipated, a couple of communities have changed their minds and did not want to proceed with proposed projects, and KDOT's determination that several projects can be built for less money. In addition, KDOT's debt has been restructured and refinanced at an interest saving of \$3.9 million. Responding to a question from the Committee concerning whether any payment of principal had been rescheduled, Secretary Miller referred the question to Reed Davis, KDOT, who responded that some principal payments from FY 2005-FY 2009 have been rescheduled to FY 2010 and FY 2016. With the restructuring, which was done in November 2003, Secretary Miller stated that the State would actually pay less because the interest rate has been lowered.

CONTINUATION SHEET


MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE at 9:00 a.m. on January 28, 2004 in Room 514-S of the Capitol.

Responding to questions from the Committee, Secretary Miller stated that the current debt is approximately \$1.8 billion with an additional \$600,000 to be incurred from the remaining projects. The Secretary indicated that at the conclusion of the CTP in 2010, approximately 20 percent of KDOT's revenues will be dedicated to paying for debt service. Responding to a question concerning the amount of sales tax transfer reduced or eliminated, Secretary Miller noted that the original amount of sales tax to be transferred to the CTP, was set at 12 percent of the sales tax collections or approximately \$20 million per year. Since these transfers were not made, there has been a loss of approximately \$180 million for the program. Secretary Miller stated that there are no general fund bonds outstanding for the Department of Transportation at the present time, noting that the bonds will be sold as the funds are needed. In response to another question, the Secretary indicated that the \$49 million savings in rail-grade separation projects on the state system, was realized as a result of eliminating proposed projects from the plan, other than the Marysville project, because further research indicated that they had major construction problems.

The Committee voiced concern about a project completed near a railroad crossing on Highway 50 at Offerle in which a curve was taken out of the highway and has resulted in school buses and grain trucks stopping on the railroad tracks. The Committee felt that engineers who designed the project, should be held accountable for the unsafe condition as a result of the construction. Secretary Miller noted that KDOT is doing a rural safety audit of roads throughout the State to determine that signage is up-to-date and in compliance with regulations.

Chairman Neufeld thanked Secretary Miller for her presentation before the Committee.

The meeting was adjourned at 10:10 a.m. The next meeting will be held at 9:00 a.m on January 29, 2004.



Melvin Neufeld, Chair

House Appropriations Committee

January 28, 2004



Status of the Comprehensive Transportation Program (CTP)

- Mid-point of the program
- More than \$2 billion in projects let to construction
- About \$2 billion in projects still to be let
- Additional \$1.5 billion over next 6 years for annually selected maintenance projects



Status of the CTP (continued)

- Sales tax transfer withheld
- End of 2003 legislative session projecting \$350 million deficit for FY2009



Changes Made Last Year to Preserve Program

1-4

Remove construction reserve from
ending balance

Reduce Transportation Revolving Fund

Adjust inflation and interest rates

Adjust interest rate assumption on bonds

Result of action:

Negative \$50 million ending cash balance in FY 2009



Governor's Proposal

- **Core of the CTP – announced projects and maintenance – is not at risk**
- **Governor's proposal creates a more realistic and secure program**



Governor's Proposal (continued)

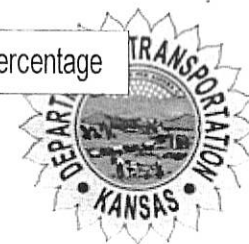
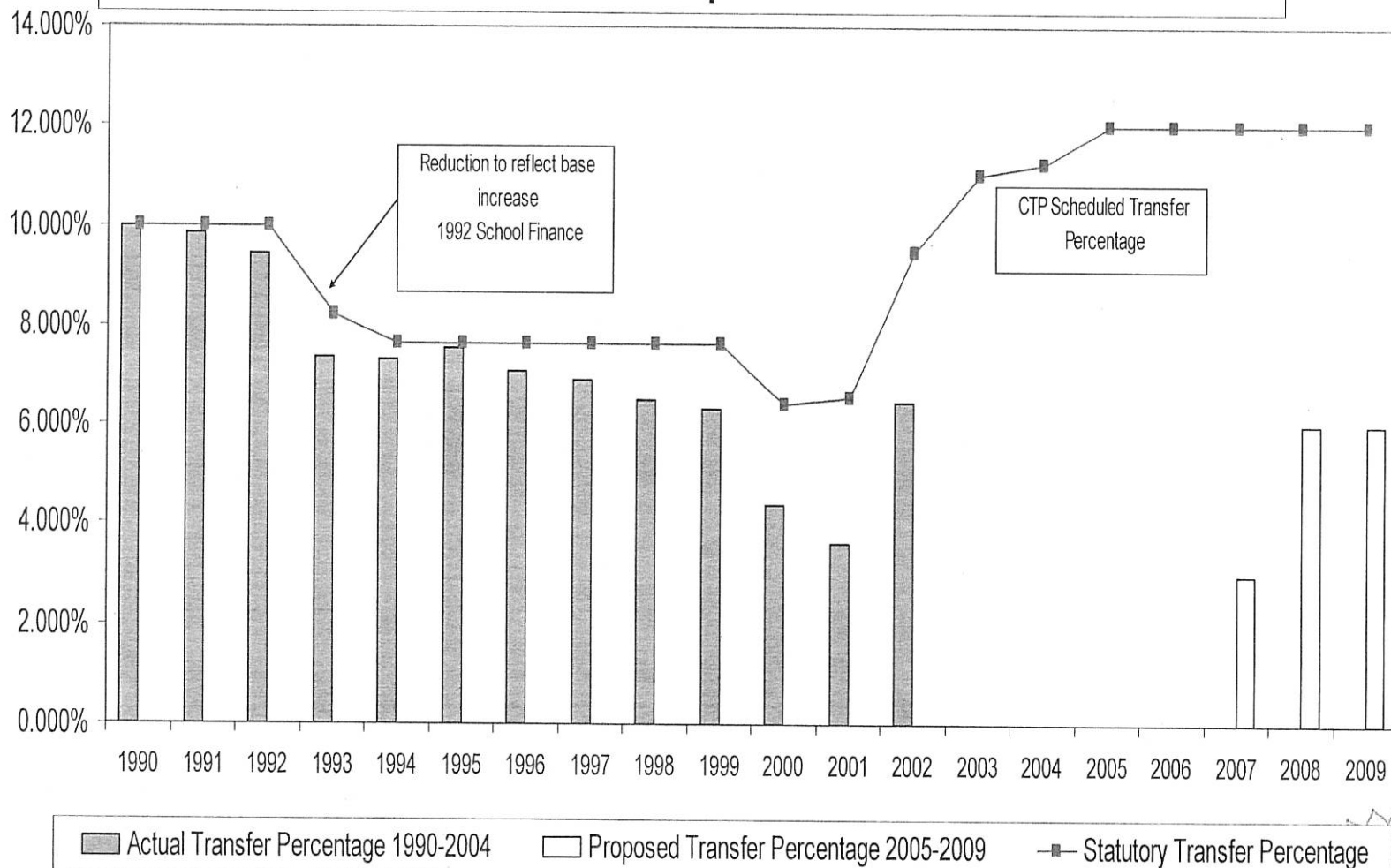
Revenue

- **Sales tax transfer:**
 - Withhold in FY05 & FY06
 - 3 percent in FY07
 - 6 percent thereafter

- **Bridge the funding gap through General Fund bonds**



Sales Tax Transfer Statutory Rates with Actual or Proposed Transfers



Replacement Revenue

- **\$465 million in General Fund-backed bonds**
 - \$100 million in bond proceeds in FY 2006
 - \$150 million in bond proceeds in FY 2007
 - \$215 million in bond proceeds in FY 2008
- **No tax increase**

Estimated General Fund Debt Service Payments		
FY 2006	\$	-
FY 2007	\$	8
FY 2008	\$	23
FY 2009	\$	35



Impact to General Fund FY 2005 – FY 2009

- **Savings to General Fund**
 - No tax transfer FY 2005 and FY 2006 **\$368 M**
 - 3% / 6% Tax Transfer instead of 12% **\$307 M**
 - \$675 M**

- **General Fund Debt Service** **- \$ 66 M**
FY 2007 – FY 2009

- **Net Savings to General Fund** **\$609 M**



Governor's Proposal (continued)

Adjust Costs (\$253 million savings)

- **System Enhancement program reductions – no projects cut - \$109 million**
- **Set-aside reductions – future work - \$144 million**
- **No cuts in Local Partnership program**



Governor's Proposal (continued)

Restructured Debt

- \$161 million saved through the life of the CTP at a net present value savings of \$3.9 million



Status of the CTP

- **Fundamental structure of the CTP is protected**
 - No announced projects are impacted
 - Preserves KDOT's commitment to maintaining the system
- **No room for add-ons or cost increases**



Status of the CTP (continued)

- **Governor's proposal removes uncertainty**
 - Sales tax transfer at realistic, sustainable rate
 - General fund bonds won't be diverted to other uses
- **Transportation funding at crossroads this year**



Transportation Investment Benefits

7-1-1

- Long-term benefits *and* immediate economic stimulus
- For every \$1.00 invested, \$2.60 returned to the economy in the short-term



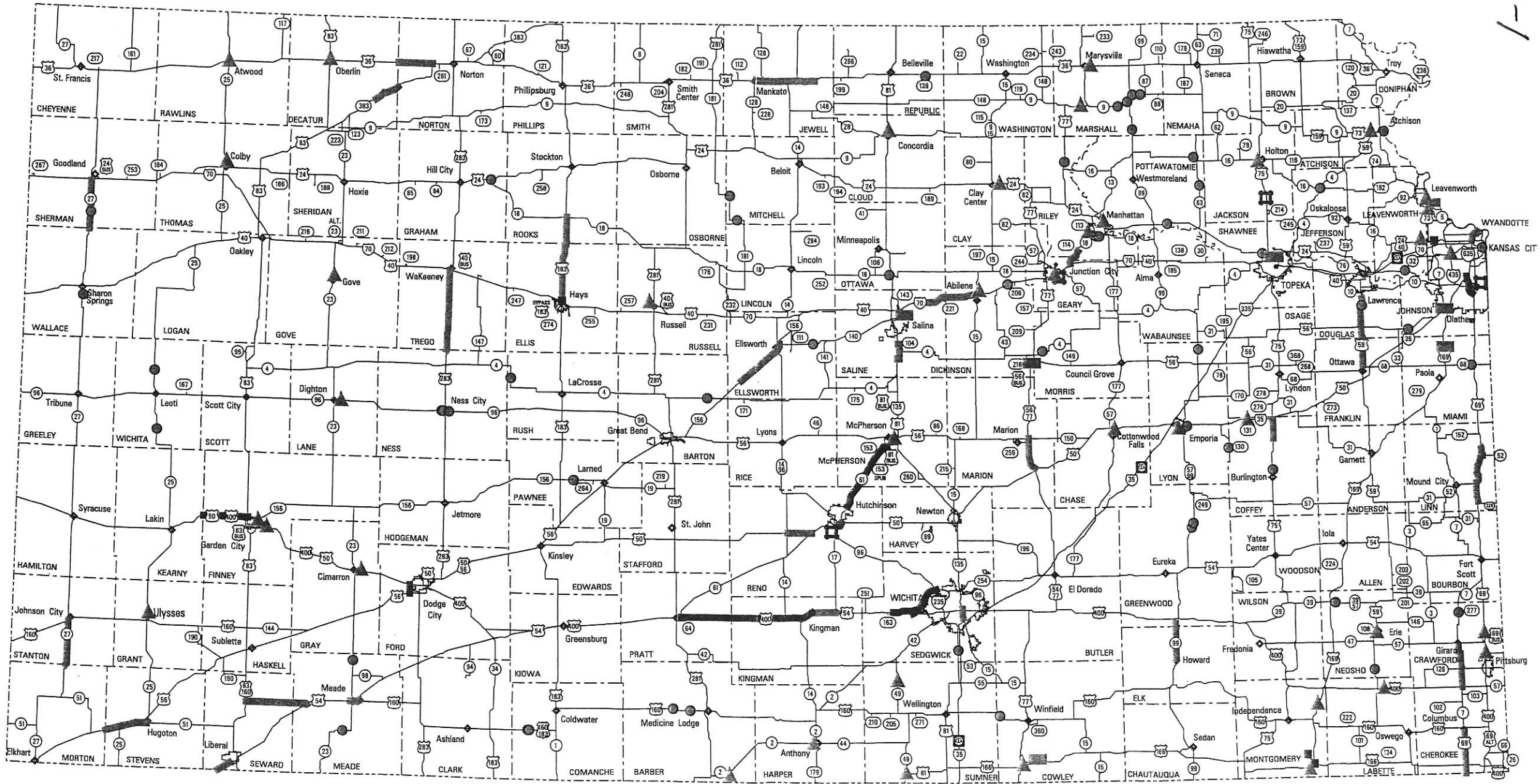
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Attachments



PROJECTS CURRENTLY PROGRAMMED FOR FY 2005-2009 COMPREHENSIVE TRANSPORTATION PROGRAM (CTP)

1-17



LOCAL PARTNERSHIP PROGRAM
 Economic Development/Geometric Improvements ▲
 Local Partnership Railroad Grade Separations ■

**MAJOR MODIFICATION INTERSTATE AND
NON-INTERSTATE AND PRIORITY BRIDGE**
 Bridges ●
 Roadway ———

SYSTEM ENHANCEMENT
 Interchanges □
 Bridges ●
 Corridors & Bypasses ———

PREPARED BY THE
 KANSAS DEPARTMENT OF TRANSPORTATION
 BUREAU OF TRANSPORTATION PLANNING
 CTP05_09.DGN JULY 29, 2003
 USING BPM DATA AS OF 5/31/03
 USING CANSYS DATABASE 6/02

Governor's Proposal

Replacement Revenue

- Net positive to Highway Fund
 - Savings from System Enhancement and Set-asides \$250 M
 - Bonds from General Fund \$465 M
 - Debt restructure \$161 M
 - \$876 M

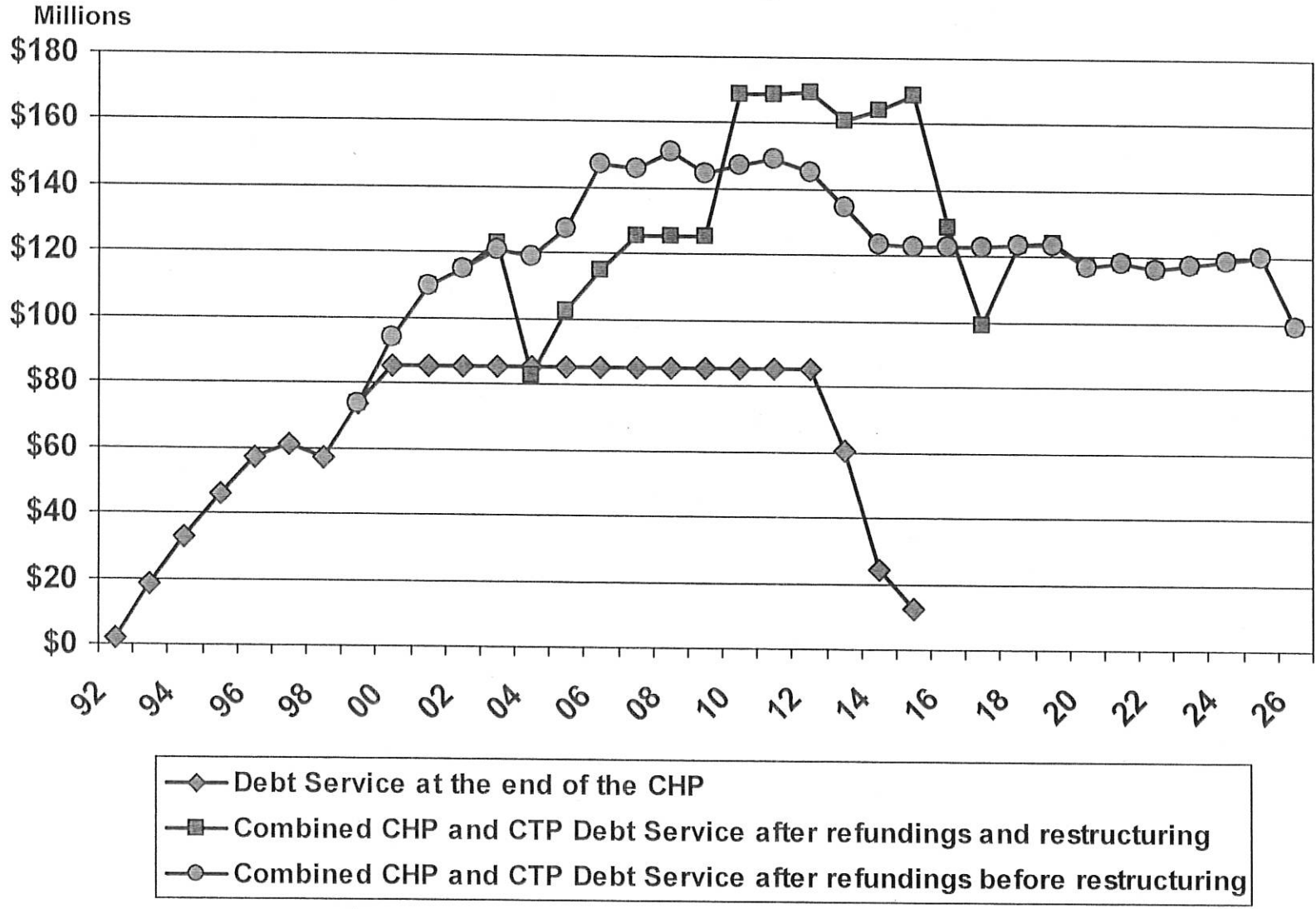
- Net loss to Highway Fund
 - Loss of sales tax transfer -\$665 M
 - KHP Funding -\$160 M
 - Includes projected negative balance June 2003 -\$ 50 M
 - \$875 M

Governor's Proposal

Savings From System Enhancement Projects and Adjust Set-Asides

• System Enhancement Project Savings		\$109
• Reduce future funds allocated for		
○ Set-aside projects		\$ 64
Pavement Resurfacing	\$26	
Contract Maintenance	\$14	
Interstate Resurfacing	\$ 2	
Intersection Safety Improvements	\$ 2	
Emergency Repair	\$ 1	
Bridge Repair	\$ 4	
Signing	\$ 1	
Highway Lighting	\$ 3	
Railroad Crossing Surfacing	\$ 1	
ITS Projects	\$ 3	
Corridor Management	\$ 4	
Bridge Redeck	\$ 1	
Culvert/Bridge	\$ 2	
○ Rail-grade separation projects on state system		\$ 49
○ Pavement marking set-aside		<u>\$ 31</u>
\$253 Million Savings Through FY 2009		\$253

State Highway Fund Debt Service Payments from CHP and CTP



Includes Fall 2003 Debt restructure. State General Fund-backed bond debt service payments come from the State General Fund and as such are not included here.

**Kansas Department of Transportation
Resturcturing and Refunding**
(Millions)

Date	Prior Debt Service	Net Refunding Debt Service	Savings	Present Value to 12/04/2003 @ 3.51484%
6/30/2004	\$ 39.6	\$ 4.2	\$ 35.4	\$ 35.1
6/20/2005	\$ 42.5	\$ 16.9	\$ 25.7	\$ 24.7
6/30/2006	\$ 49.8	\$ 16.9	\$ 32.9	\$ 30.7
6/30/2007	\$ 38.0	\$ 16.9	\$ 21.2	\$ 19.2
6/30/2008	\$ 43.1	\$ 16.9	\$ 26.2	\$ 22.8
6/30/2009	\$ 36.9	\$ 16.9	\$ 20.0	\$ 17.0
6/30/2010	\$ 36.2	\$ 56.9	\$ (20.7)	\$ (17.0)
6/30/2011	\$ 35.8	\$ 55.0	\$ (19.2)	\$ (15.1)
6/30/2012	\$ 42.7	\$ 65.8	\$ (23.1)	\$ (17.6)
6/30/2013	\$ 50.5	\$ 76.5	\$ (25.9)	\$ (19.1)
6/30/2014	\$ 34.8	\$ 75.4	\$ (40.5)	\$ (28.9)
6/30/2015	\$ 46.5	\$ 92.1	\$ (45.6)	\$ (31.4)
6/30/2016	\$ 33.8	\$ 38.8	\$ (5.0)	\$ (3.3)
6/30/2017	\$ 24.3	\$	\$ 24.3	\$ 15.6
	<u>\$ 554.4</u>	<u>\$ 548.9</u>	<u>\$ 5.5</u>	<u>\$ 32.6</u>
			Less: Prior Funds on Hand	\$ (28.7)
			Net Present Value Savings	<u>\$ 3.9</u>
			Nominal Savings FY 2005-2009	<u>\$ 161.3</u>