

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairman Stephen Morris at 10:35 a.m. on January 22, 2004, in Room 123-S of the Capitol.

All members were present except:

Senator David Adkins- excused
Senator Nick Jordan- excused

Committee staff present:

Alan Conroy, Director, Kansas Legislative Research Department
J. G. Scott, Chief Fiscal Analyst, Kansas Legislative Research Department
Amy Deckard, Kansas Legislative Research Department
Robert Waller, Kansas Legislative Research Department
Jill Wolters, Senior Assistant, Revisor of Statutes
Judy Bromich, Administrative Analyst
Mary Shaw, Committee Secretary

Conferees appearing before the committee:

Deb Miller, Secretary, Kansas Department of Transportation

Others attending:

See Attached List.

Bill Introduction

Senator Salmans moved, with a second by Senator Jackson, to introduce a bill relating to Emergency Medical Services; providing for emergency medical responder (3rs1236). Motion carried on a voice vote.

Chairman Morris welcomed Deb Miller, Secretary, Kansas Department of Transportation who gave a briefing and update on the Comprehensive Transportation Plan (Attachment 1). She assured the committee that the first priority is ensuring that all of the committed projects are able to be included. Secretary Miller also noted that they are doing a proper level of maintenance on their system.

Secretary Miller explained the Replacement Revenue proposed by the Governor of \$465 million dollars in State General Fund-backed bonds which would be issued through the State General Fund. She noted that the State General Fund-backed bonds give an amount of certainty that, if the proposal is put together, there are sufficient resources so that they can build the program. Committee questions and discussion followed.

The meeting adjourned at 11:55 a.m. The next meeting is scheduled for January 23, 2004.

Senate Ways and Means Committee

January 22, 2004



Senate Ways and Means
1-22-04
Attachment 1

Status of the CTP

- **Core of the CTP — announced projects and maintenance — is not at risk**
- **Changes made last year to preserve program**
- **Governor's proposal creates a more realistic and secure program**



My Goals in January 2003

- **Maintain commitment to the core of the CTP**
- **Core of the CTP:**
 - “Red Map”
 - System Enhancement projects
- **Also maintain system**



What I Said . . .

- **At the end of the 2003 session . . . \$350 million operating deficit in FY 2009**
- **Under consideration:**
 - Looking for improved efficiency
 - Revisiting assumptions in cash flow projections
 - Extending the program by one or two years
 - Cutting funds not yet assigned to specific projects
 - Reducing project scopes
 - Implementing Transportation Revolving Fund with less collateralization



Changes Made Last Year to Preserve Program

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

- **Repay \$95 million loan**
- **Restructure debt**
- **Savings from System Enhancement projects and adjust set-asides**
- **Move KHP funding to Highway Fund**
- **Adjust sales tax transfer**
- **Issuance of General Fund-backed bonds**



Repay \$95 Million Loan

- **\$95 million loaned to General Fund
FY 2001**
- **To be repaid in four equal
installments in FY 2007, 2008,
2009, and 2010**



Restructure Debt

- **Net present value savings \$3.9 million**
- **Debt service payments moved to FY 2010 – 2016**
- **\$161 million savings FY 2005-2009**



Savings From System Enhancement Projects and Adjust Set-Asides

\$253 Million Savings Through FY 2009

- **System Enhancement Project Savings** **\$109**
- **Reduce future funds allocated for**
 - **Set-aside projects** **\$ 64**
 - **Rail-grade separation projects on state system** **\$ 49**
 - **Pavement marking set-aside** **\$ 31**



System Enhancement Project Savings

\$109 Million Savings Through FY 2009

- **Projects already let with some cost savings**
- **Projects withdrawn by sponsors**
- **Scopes and estimates revised through project development**
- **No room for project add-ons and cost increases**



Reduce Future Funds Allocated for Set-Aside Projects

\$64 Million Savings Through FY 2009

- **Affects 13 of 22 set-asides**
- **Doesn't impact Local Partnership Program**
- **Reductions focused on unallocated future funds – no announced projects affected**
- **Generally proportional to size of fund**



Reduce Future Funds Allocated for Set-Aside Projects

\$64 Million Savings Through FY 2009

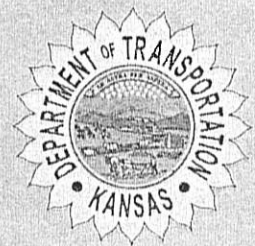
Pavement Resurfacing	\$26
Contract Maintenance	\$14
Interstate Resurfacing	\$ 2
Intersection Safety Improvements	\$ 2
Emergency Repair	\$ 1
Bridge Repair	\$ 4
Signing	\$ 1
Highway Lighting	\$ 3
Railroad Crossing Surfacing	\$ 1
ITS Projects	\$ 3
Corridor Management	\$ 4
Bridge Redeck	\$ 1
Culvert/Bridge	\$ 2



Reduce Future Funds Allocated for Rail-Grade Separation Projects on State System

\$49 Million Savings Through FY 2009

- **Two rail programs (state system and local). Reduction in program for state highway system needs.**
- **Marysville rail project under construction**
- **No projects had to be cancelled**



Reduce Future Funds Allocated for Pavement Marking Set-Aside

\$31 Million Savings Through FY 2009

- **Carry-over balance** **\$ 11**
- **Reduction of \$4 million/year for remainder of the program** **\$ 20**



KHP Funding

- **\$32 million per year plus inflation**
- **From FY 2005 through life of the program (FY 2009)**
- **In addition to historical funding of motor carrier inspection**

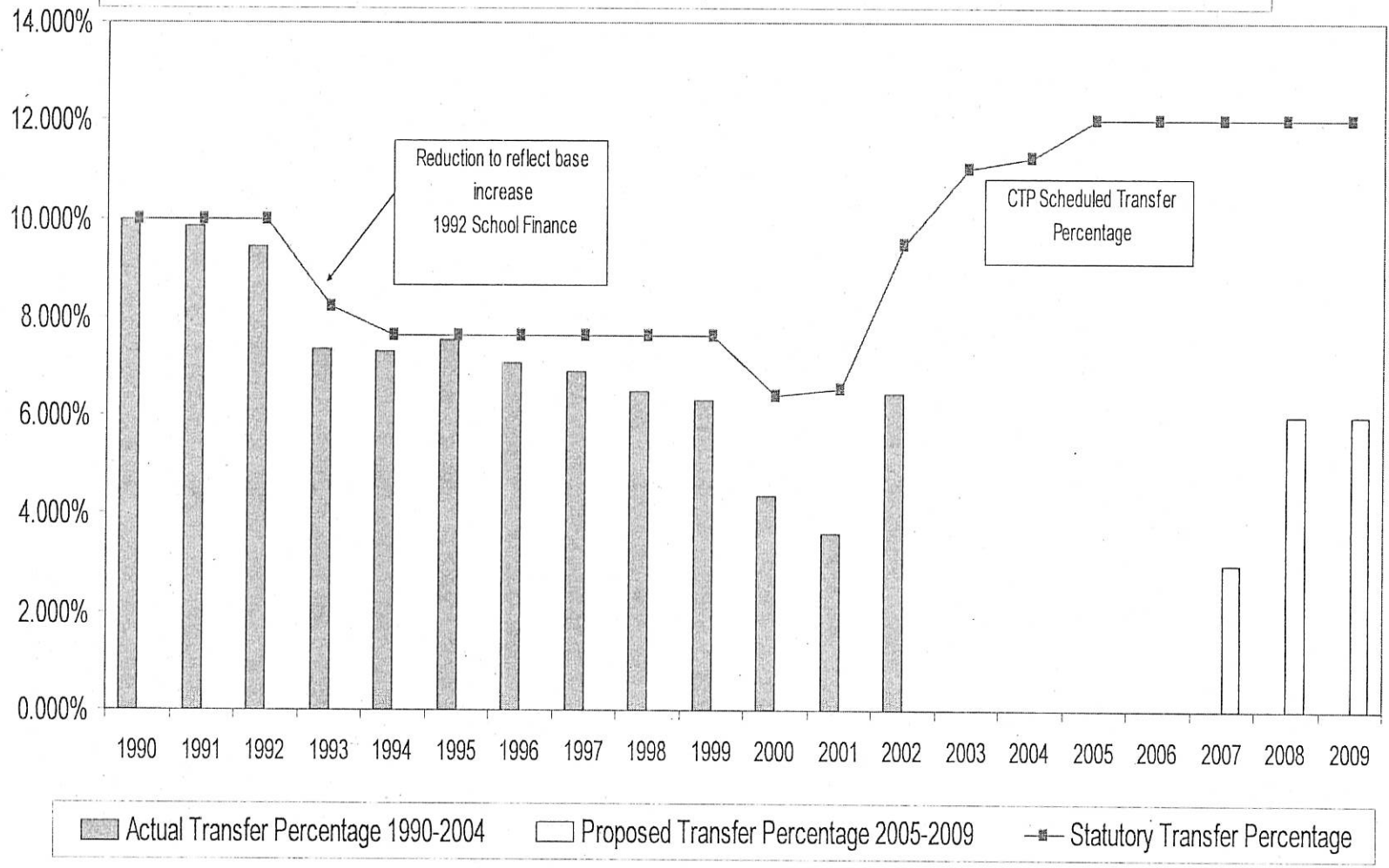


Adjust Sales Tax Transfer

- 0% in FY 2005 and 2006
- 3% in FY 2007
- 6% thereafter - more realistic and achievable



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

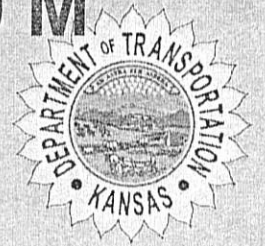


Impact to General Fund FY 2005 – FY 2009

- **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**



Replacement Revenue

- **Governor's proposal**

- **Net positive to Highway Fund**

- Savings from SE 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**



FY 2009 Ending Cash Balance

**End of 2003 Session:
Negative \$350 million**

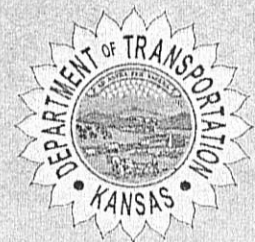
**June 2003:
Negative \$50 million**

**January 2004 Projected:
Positive \$5 million**



Governor's Proposal

- **Protects the core of the CTP**
 - No announced projects impacted
 - Commitment to maintaining the system remains
 - No room for add-ons or cost increases
- **Realistic, sustainable sales tax transfer**
- **General Fund-backed bonds provide certainty for program**



What's At Stake?

Long-term economic benefit

- Lower transportation costs, decreased travel time and accidents

Immediate economic stimulus

- Construction spending in communities
- \$2.60 return for every \$1 invested



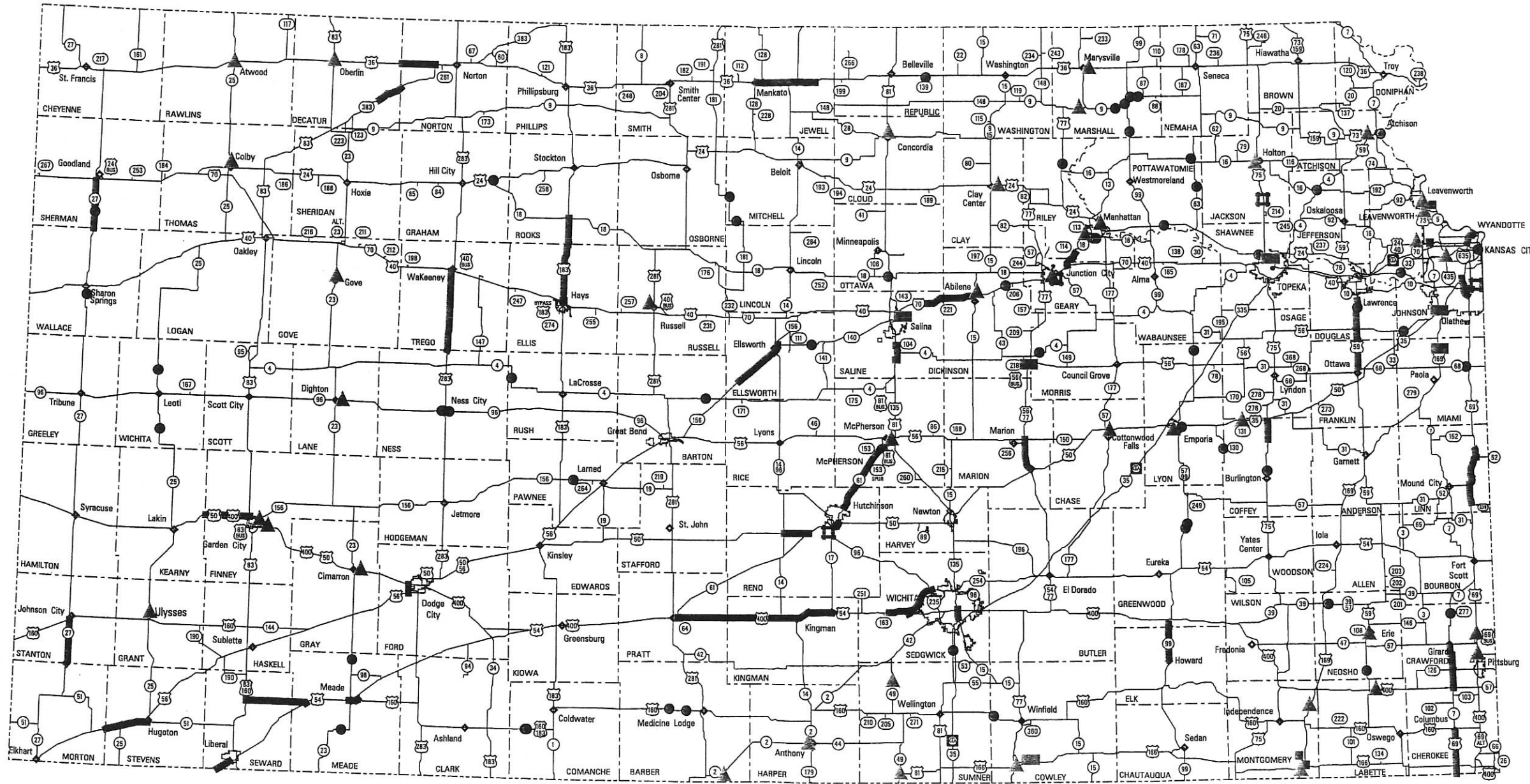
What's At Stake?

- A little more than \$2 billion let
- About \$2 billion remains to be let
- About \$1.5 billion for maintenance projects selected annually



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

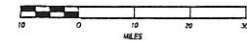
1-25



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

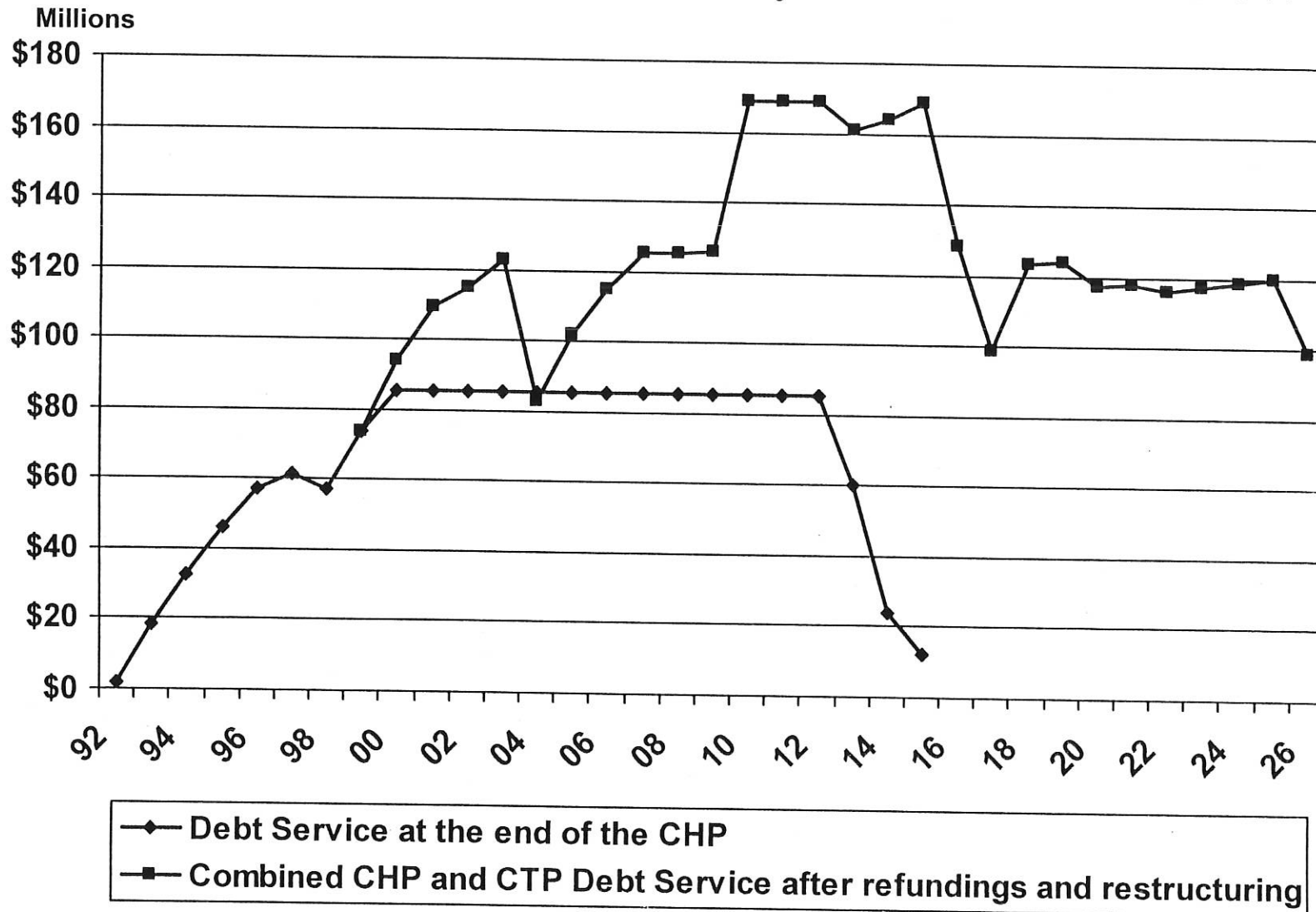
**MAJOR MODIFICATION INTERSTATE AND
NON-INTERSTATE AND PRIORITY BRIDGE**
 Bridges ●
 Roadway ———

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

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
Restructuring 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
	\$ 554.4	\$ 548.9	\$ 5.5	\$ 32.6
			Less: Prior Funds on Hand	\$ (28.7)
			Net Present Value Savings	\$ 3.9
			Nominal Savings FY 2005-2009	\$ 161.3