Approved: April 19 , 2007
Date

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairman Dwayne Umbarger at 10:35 A.M. on March 13, 2007, in Room 123-S of the Capitol.

All members were present except:
Senator Donald Betts- excused

Committee staff present:
Jill Wolters, Senior Assistant, Revisor of Statutes
Alan Conroy, Director, Kansas Legislative Research Department
J. G. Scott, Kansas Legislative Research Department
Amy Deckard, Kansas Legislative Research Department
Audrey Dunkel, Kansas Legislative Research Department
Julian Efird, Kansas Legislative Research Department
Aaron Klaassen, Kansas Legislative Research
Heather O'Hara, Kansas Legislative Research Department
Leah Robinson, Kansas Legislative Research Department
Michael Steiner, Kansas Legislative Research Department
Amy VanHouse, Kansas Legislative Research Department
Melinda Gaul, Chief of Staff, Senate Ways & Means
Mary Shaw, Committee Assistant

Conferees appearing before the committee:
Peggy Hanna, State Treasurer's Office
Steve Weatherford, Kansas Development Finance Authority
Reginald Robinson, Kansas Board of Regents
Michael Johnston, President, Kansas Turnpike Authority
Tom Whitaker, Kansas Motor Carrier Association
Pat Hurley, Economic Lifelines
Bob Totten, Kansas Contractors Association
Trudy Aaron, American Institute of Architects

Others attending:
See attached list.

Bill Introductions

Senator Schodorf moved, with a second by Senator Teichman, to introduce a conceptual bill regarding sales tax exemption for contractors constructing or reconstructing facilities at state correctional institutions or privately constructed correctional institutions contracted for state use and ownership. Motion carried on a voice vote. The bill was requested by Senator Derek Schmidt.

Chairman Umbarger opened the public hearing on:

HB 2246--Amendments to unclaimed property act allowing interest to be paid to certain claimants

Staff briefed the committee on the bill.

The Chairman recognized Peggy Hanna, State Treasurer's Office, who appeared as a proponent on the bill (Attachment 1). Ms. Hanna explained that this bill would amend the Unclaimed Property Act and bring it into the 21st century and would add a definition of interest bearing accounts - checking accounts that earn interest, savings accounts and certificates of deposit. She noted that less than five percent of the dollars paid out would be considered "interest-bearing". Therefore, Ms. Hanna noted that the fiscal impact of the legislative change would be under $100,000 per year.

There being no further conferees to appear before the committee, the Chairman closed the public hearing on **HB 2246**.

Chairman Umbarger opened the public hearing on:

SB 369--State educational institutions; financing of the deferred maintenance of infrastructure

Theresa Kiernan, Senior Assistant Revisor of Statutes, briefed the committee on **SB 369** (Attachment 2).

The Chairman welcomed Steve Weatherford, Kansas Development Finance Authority, explained the University Infrastructure Finance Program and addressed the Key Elements of the Governor's Proposal (Attachment 3):

- Provide $15 million per year to make the Education Building Fund whole.
- Provide $300 million in funds to the Regents over six years for deferred maintenance.
- Provide access to $200 million in low-interest loans to Regents institutions.
- Mandate all future buildings constructed with donations or other funds not appropriated by the Legislature be maintained by the Regents.

Committee questions and discussion followed.

Chairman Umbarger recognized Reginald "Reggie" Robinson, President and CEO, Kansas Board of Regents, who testified in support of **SB 369** (Attachment 4). Mr. Robinson explained that SB 369 would enact two separate legislative provisions, which are intended to provide sources of funds for state universities to repair, construct, or rehabilitate buildings and utility systems, and place several new requirements on construction projects undertaken by the Board and state universities. In closing, President Robinson noted that whether the turnpike should serve as the revenue source for helping to address the deferred maintenance problems is a difficult one for the Board to answer and it is probably a question that state policymakers are most competent to answer.

The Chairman welcomed Michael Johnston, President and CEO, Kansas Turnpike Authority, who testified in opposition to **SB 369** (Attachment 5). Mr. Johnston explained that the Kansas Turnpike Authority is opposed to Sections 1 through 6 of the bill. He also mentioned that the bill would require multiple toll increase and the diversion of revenue from the toll increase to service debt issued by the state, the proceeds of which would be used for repairs at Regents institutions. Mr. Johnston expressed concern because of their traffic engineering consultant estimates that toll increases together with planned Turnpike increase, will result in total Turnpike traffic decline.

Chairman Umbarger recognized Tom Whitaker, Executive Director, Kansas Motor Carriers Association, who testified in opposition to **SB 369** (Attachment 6). Mr. Whitaker noted that **SB 369** is an out-and-out diversion of highway dollars to pay for a problem that is not the responsibility of highway users. He mentioned that if you place an obstacle in the path of trucks on the highway they will find a way around obstacles and use other state highways to move the nation's freight.

The Chairman acknowledged Pat Hurley, Economic Lifelines, who appeared as an opponent on **SB 369** (Attachment 7). Mr. Hurley addressed the portion of the bill regarding the use of the Kansas Turnpike Authority tolls for any other purpose other than dedicated solely for transportation purposes.

The Chairman recognized Bob Totten, Public Affairs Director, Kansas Contractors Association, Inc., who mentioned briefly in opposition to **SB 369** that they were opposed to the use of Kansas Turnpike tolls for the maintenance of classrooms at Regent institutions and that user fees should pay for the transportation program (Attachment 8).

Written testimony was submitted by Trudy Aron, Executive Director, American Institute of Architects (Attachment 9).

There being no further conferees to appear before the committee, the Chairman closed the public hearing on **SB 369.**

The meeting adjourned at 12:05 p.m. The next meeting is scheduled for March 14, 2007.

SENATE WAYS AND MEANS COMMITTEE
GUEST LIST

Date March 13, 2007

Name	Representing
Cheri Froetschner	DoB
Amy Penrod	DOB
Elaine Frisbie	DOB
Tom Whitaker	Ks Motor Carriers Assn
Sally Howard	Governor
Tim Madden	KDOC
Robyn Horton	KS Motor Carriers Assn.
Reggie Robinson	Board of Regents
Jim MacMurray	KDFA
Brendan Yorkey	DoB
Freddy Aeon	Am Inst of Architects
Cindy Denton	DoB
Ethan Erickson	KDOT
Mark P. Martz	Via Christi Health System
Melanie Dixon	N/A
Jenny Dixon	N/A
Lindsey Douglas	Hein Law Firm
John Dougherty	ESU
Bob Totten	Ks Contractors Assn.
Corey Peterson	AGC of Kansas
Kip Peterson	KBOR
Sabrina Wells	Insurance Department
Derl Treff	P.M.I.B.

SENATE WAYS AND MEANS COMMITTEE
GUEST LIST

Date March 13, 2007

Name	Representing
Stacey Woolington	HCSF
BOB HAYES	HCSF
MARK BORANYAK	CAPITOL STRATEGIES
Eric Stafford	AGC of KS
Scott Heidner	ACEC of KS
Mary E Turkington	Kansas Turnpike Authority
Lisa Callahan	Kansas Turnpike Authority
Michael Johnston	Kansas Turnpike Authority
Jeff Wagaman	State Treasurer's Office
Percy Hanna	"
Patrick Hurley	Economic Lifelines
BILL Brady	KTA
David Jacobson	KTA
Kelly Stephens	KS. Chapter of Children's Adv. Centers
[illegible]	DRCC
Nancy Bryant	SOS
Brad Bryant	Sec. of State
HOWARD SMITH	PITTSBURG STATE UNIVERSITY
Debra Prideaux	FHSU
[illegible] Rose	KACCT
Melissa Ness	St. Francis Academy
Amy Boydston	KS Chapter of Children's Advocacy Ctrs.
Cynthia [illegible]	Sunflower House Child Advocacy Center Shawnee, KS

SENATE WAYS AND MEANS COMMITTEE
GUEST LIST

Date March 13, 2007

Name	Representing
Duane Goossen	Dept. of Ad.
Steve Weatherford	KDFA

STATE OF KANSAS

Lynn Jenkins, CPA
TREASURER

900 SW JACKSON ST. SUITE 201
TOPEKA, KANSAS 66612-1235

TELEPHONE
(785) 296-3171

March 13, 2007

Testimony on House Bill 2246

Senator Dwayne Umbarger, Chairman, and Members
Senate Ways and Means Committee

My name is Peggy Hanna of the State Treasurer's Office. Thank you for the opportunity to discuss House Bill 2246. This legislation would amend the Unclaimed Property Act in several ways. The first change brings our Act into the 21st century. We have moved from strictly verbal or paper communication to communicating with our business partners via email or other electronic forms of communication and this change allows Kansans to opt in to that method.

Another change to the Act adds a definition of interest bearing accounts – checking accounts that earn interest, savings accounts and certificates of deposit. This definition ties in with the change allowing the Treasurer's office to pay interest on claimed property originally reported to our office as interest-bearing. Currently the interest earned on those funds is retained by the State and becomes a part of the state general fund.

The Unclaimed Property program administered by the Treasurer's office has been in existence since 1979. During that time we have taken in over $281 million and paid out over $92 million – leaving $189 million in outstanding balance due Kansans or their heirs. The funds are held in the state general fund and are used to meet the cash flow needs of agencies. The outstanding balances are invested, mostly by KPERS, with any interest income or gains being credited to the state general fund.

Unclaimed property includes financial assets such as savings and checking accounts, stocks, utility deposits, rental deposits, insurance proceeds, and dividends. The only tangible property we receive is safe deposit box contents from banks and patient and inmate property from state facilities. Savings accounts and certificates of deposit are considered interest-bearing accounts and are reported as such. These types of accounts make up less than four percent of the outstanding balance of $189 million or approximately $7.5 million. Banks and other institutions continue to pay interest on these types of account during the 5 year dormancy period, although many banks also charge dormancy fees.

Each year we receive between $15 and $20 million in new assets of all types. Conversely, between $8 and $10.5 million dollars is paid to owners or their heirs each year. Less than *five percent of the dollars* paid out would be considered "interest-bearing". **Therefore, the fiscal impact of this legislative change would be under $100,000 per year.**

Senate Ways and Means
3-13-07
Attachment 1

TO: Senate Committee on Ways and Means

FROM: Theresa Kiernan, Senior Assistant Revisor of Statutes

RE: SENATE BILL NO. 369

Senate Bill No. 369 contains the recommendations of the Governor concerning the deferred maintenance issue.

The bill enacts two new financing tools for the financing of the infrastructure needs of the regents institutions.

The first is contained in sections 1 through 6 of the bill and is called the university infrastructure finance law.

The law provides revenue from the imposition of a surcharge on turnpike tolls which would be used to pay off revenue bonds issued by the Kansas development finance authority. The imposition of the surcharge is authorized to begin on July 1, 2008. It would equal 5% of the aggregate of the tolls collected. The amount increases in increments of 5% up to 25% in July 2014. and may continue to be collected thereafter. No surcharge may be imposed while there are any outstanding turnpike bonds issued prior to the effective date of the act. The KTA is directed to pay off or defease any outstanding bonds.

KDFA is authorized to issue up to $300 million in revenue bonds. Moneys from the bonds may be expended solely for the purpose of financing improvement of infrastructure at the state educational institutions; the law specifically excludes the use of the money for new construction.

Projects would be subject to the oversight of the joint committee on state building construction.

The second new financing tool enacted in the fill is the state board of regents infrastructure maintenance finance loan program law.

The law provides low-interest loans for the financing of infrastructure at the six regents institutions.

Revenue is available to finance the loans from appropriations of the legislature, amounts made available from private or other public sources or from a revolving loan fund established in the law and funded from moneys loaned by the pooled money investment board.

There is an aggregate limit on the amount of loans which may be outstanding at any one time of $200 million. The minimum loan amount is $250,000.

Projects would be subject to the oversight of the joint committee on state building construction.

K.S.A. 75-4209 is amended to increase the limit on the amount of state moneys which may be invested in loans pursuant to state mandates.

The bill requires that contractors, subcontractors employees and workers on infrastructure projects be paid an hourly wage, including fringe benefits, in an amount paid to workers for similar work performed in the county or the amount paid on federally-funded projects.

The bill requires the construction documents of an infrastructure improvement projects financed under this act or any other capital improvement project the cost of which exceeds $100,000 to prescribe standards for energy conservation that provide the highest level of energy conservation and efficiency that is practical for the project.

The bill provides that if the cost of an infrastructure improvement project financed under this act exceeds $500,000 or the cost of any other capital improvement project which exceeds $500,000, the SBOR is required to provide for the ongoing maintenance cost of the improvement and must identify in its budget the funds available for such maintenance.

SB369.wpd

Senate Ways and Means
3-13-07
Attachment 2

Session of 2007

SENATE BILL No. 369

By Committee on Ways and Means

2-28

AN ACT concerning the infrastructure needs of state educational institutions and the financing thereof; enacting the university infrastructure finance law; enacting the state board of regents infrastructure maintenance finance loan program law; relating to the powers and duties of the state board of regents, the Kansas turnpike authority and the Kansas development finance authority; amending K.S.A. 68-2011 and K.S.A. 2006 Supp. 75-4209 and 75-4237 and repealing the existing sections.

Be it enacted by the Legislature of the State of Kansas:

New Section 1. (a) Sections 1 through 6, and amendments thereto, shall be known and may be cited as the university infrastructure finance law.

(b) It is hereby found and declared that the provisions of the university infrastructure finance law are necessary to provide a source of funds to finance certain essential state purposes in connection with state educational institutions.

New Sec. 2. As used in the university infrastructure finance law:

(a) "Surcharge" means the surcharge authorized by section 6, and amendments thereto, on tolls for transit over turnpike projects charged and collected by the Kansas turnpike authority pursuant to the turnpike authority act.

(b) "Turnpike authority act" means the provisions of article 20 of chapter 68 of the Kansas Statutes Annotated, and amendments thereto.

(c) "University infrastructure finance fund" means the fund established by section 3, and amendments thereto.

(d) "State educational institution" has the meaning ascribed thereto in K.S.A. 76-711, and amendments thereto.

(e) "State board" means the state board of regents.

(f) "Infrastructure" means a building and related utility systems located at a state educational institution.

(g) "Improvement" means the maintenance, repair, reconstruction or rehabilitation of infrastructure. "Improvement" shall not mean new construction of infrastructure.

(h) "Infrastructure improvement project" or "project" means the

Governor's Plan

Sections 1 through 6 constitute the university infrastructure finance law.
Authorizes the imposition of surcharge on turnpike tolls to finance the improvement of infrastructure.

SBOR is required to advise and consult with the JCBC on any infrastructure improvement project financed under the act.

Improvement is defined to mean the maintenance, repair, reconstruction or rehabilitation of infrastructure. It does not mean new construction.

Infrastructure is defined to mean a building and related utility systems located at a state educational institution (SEI), the six regents institutions

2-3

maintenance, repair, reconstruction or rehabilitation of a building and related utility systems located at a state educational institution.

(i) "Cost" means all costs or expenses which are necessary or incidental to an infrastructure improvement project and which are directly attributable thereto.

New Sec. 3. There is hereby established in the state treasury the university infrastructure finance fund which shall be administered and maintained for the use and benefit of the state educational institutions as provided by the university infrastructure finance law. The university infrastructure finance fund shall be administered by the state board. Subject to the provisions of appropriation acts, all expenditures from the university infrastructure finance fund shall be made for purposes of infrastructure improvement projects and for payment of debt service on revenue bonds issued to finance such projects.

Sec. 3. Establishes the university infrastructure finance fund (UIFF) in the state treasury; the fund will be administered by the state board of regents.

New Sec. 4. (a) Subject to the provisions of appropriation acts, the state board may:

(1) Transfer moneys from the university infrastructure finance fund to an account or accounts of a state educational institution for expenditure by the institution to pay the costs of an infrastructure improvement project as approved by the state board; and

(2) make expenditures from the university infrastructure finance fund for the payment of debt service on revenue bonds issued pursuant to the approval in subsection (a) of section 5, and amendments thereto, to finance the costs of an infrastructure improvement project. The state board shall advise and consult with the joint committee on state building construction as required by subsection (b) of K.S.A. 75-3717b, and amendments thereto, regarding each infrastructure improvement project that has been approved by the state board for a state educational institution. No bonds shall be issued for any infrastructure improvement project unless the state board first has advised and consulted with the joint committee on state building construction, which advising and consulting shall occur before making the first transfer from the university infrastructure finance fund to any account or accounts of a state educational institution.

Moneys in the UIFF may be:

transferred to account of SEIs to be used to pay costs of improvement projects;

used to pay the debt service on revenue bonds issued by KDFA to finance improvement projects

(b) Subject to the provisions of appropriation acts, the state board may pledge funds appropriated to it from the university infrastructure finance fund or from any other source and transferred to a special revenue fund of the state board specified by law for the payment of debt service on revenue bonds issued for the purposes set forth in section 5, and amendments thereto. Neither the state nor the state board shall have the power to pledge the full faith and credit or taxing power of the state of Kansas for such purposes and any payment by the state board for such purposes shall be subject to and dependent on appropriations by the legislature. Any obligation of the state board for payment of debt service

SBOR may pledge moneys from the UIFF for the payment of revenue bonds issued by KDFA

2-4

on revenue bonds and any such revenue bonds issued for the purposes set forth in section 5, and amendments thereto, shall not be considered a debt or obligation of the state for the purpose of section 6 of article 11 of the constitution of the state of Kansas.

New Sec. 5. (a) The Kansas development finance authority is hereby authorized to issue revenue bonds pursuant to subsection (a) of K.S.A. 74-8905, and amendments thereto, to finance the cost of infrastructure improvement projects. The projects which are initiated by the state board under the university infrastructure finance law are hereby approved for the state board for the purposes of subsection (b) of K.S.A. 74-8905, and amendments thereto. The aggregate principal amount of bonds issued pursuant to this section shall not exceed $300,000,000, plus all amounts required for costs of bond issuance, costs of interest on the bonds issued for infrastructure improvement projects during the time such improvements are being made and any required reserves for the payment of principal and interest on the bonds. All moneys received from the issuance of any such bonds shall be deposited and accounted for as prescribed by applicable bond covenants. The debt service for any such bonds issued for such infrastructure improvement project shall be financed by appropriations from the university infrastructure finance fund or from moneys appropriated from the state general fund as may be necessary to pay debt service on the bonds. No bonds shall be issued for any such infrastructure improvement project unless the state board first has advised and consulted with the joint committee on state building construction as required by section 4, and amendments thereto.

(b) Subject to the provisions of appropriation acts, the secretary of administration may enter into pledge agreements with the Kansas development finance authority to pledge moneys for the payment of bonds issued pursuant to the approval in subsection (a).

Sec. 5 Authorizes the KDFA to issue up to $300 million in revenue bonds to finance the cost of infrastructure improvement projects

New Sec. 6. (a) In addition to all tolls imposed and collected by the Kansas turnpike authority under the turnpike authority act, the authority shall impose and collect a surcharge on all such tolls pursuant to this section. The surcharge shall not be considered a toll for purposes of the turnpike authority act. The surcharge shall be imposed and collected beginning on July 1, 2008, in the amount of 5% of aggregate tolls collected, increasing on July 1, 2009, to 10% of aggregate tolls collected, increasing on July 1, 2011, to 15% of aggregate tolls collected, increasing on July 1, 2012, to 20% of aggregate tolls collected and increasing on July 1, 2014, to 25% of aggregate tolls collected. At the discretion of the authority, the amount of the surcharge imposed and collected on individual tolls may be rounded up or down to the nearest $.05 on individual cash tolls and the nearest $.01 on individual electronic tolls in order to most closely approximate the overall percentage of aggregate tolls required by the

Sec. 6. Authorizes the KTA to impose a surcharge on turnpike tolls. Beginning July 1, 2008 the surcharge would be in the amount of 5% of the aggregate tolls collected; 10% in July, 2009; 15% in July 2011; 20% in July 2012; and 25% in July 2014.

2-5

preceding sentence. No such surcharge shall be imposed while any bonds issued under the turnpike authority act prior to the effective date of this act remain outstanding pursuant to the terms of the resolutions and indentures under which such bonds were issued.

(b) On or before the 10th day of each month, moneys derived from the surcharge imposed pursuant to this section during the preceding month shall be remitted to the state treasurer in accordance with K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury to the credit of the university infrastructure finance fund established by section 3, and amendments thereto.

(c) Except as provided by this subsection and in order to facilitate the imposition of the surcharge authorized by this section, the Kansas turnpike authority shall defease, redeem or pay bonds issued under the turnpike authority act from the proceeds of refunding bonds, any available moneys from reserve funds for existing bonds and other moneys available for such purpose on or before June 1, 2008. In the event of extraordinary circumstances or material unanticipated costs, the secretary of administration may waive, for a specified period of time, the requirement to defease, redeem or pay such bonds. Upon the defeasance, redemption or payment of the bonds issued under the turnpike authority act prior to the effective date of this act, the Kansas turnpike authority shall certify to the secretary of administration the cost of such defeasance, redemption or payment, which cost shall include the costs of issuance of refunding bonds and the present value of additional debt service incurred as a result of the issuance of refunding bonds. At the discretion of the secretary of administration and subject to the provisions of appropriation acts, such costs, to the extent approved by the secretary of administration, shall be reimbursed to the Kansas turnpike authority from the university infrastructure finance fund in the amount of 10% of the moneys credited to the university infrastructure finance fund from the surcharge imposed pursuant to this section. Such reimbursements shall be paid on July 1 of each year or as soon thereafter as sufficient moneys are available until such costs approved by the secretary of administration are fully reimbursed to the Kansas turnpike authority.

(d) The provisions of this section shall be part of and supplemental to the provisions of article 20 and chapter 68 of the Kansas Statutes Annotated, and amendments thereto.

Sec. 7. K.S.A. 68-2011 is hereby amended to read as follows: 68-2011. *(a)* All moneys received pursuant to the authority of this act, whether as proceeds from the sale of bonds or as revenues, shall be deemed to be trust funds to be held and applied solely as provided in this act. The resolution authorizing the bonds of any issue or the trust agree-

No surcharge may be imposed while there are any outstanding turnpike bonds issued prior to the effective date of the act.

Moneys derived from the surcharge are credited to the UIFF

Under subsection (c), the KTA is is directed to defease, redeem or pay any outstanding bonds. The KTA may be reimbursed for the cost of the defeasance, redemption or payment of the bonds from the UIFF.

Sec. 7. Amends KSA 68-2011 to provide that the revenue derived from the surcharge is not subject to the trust requirements of this section.

ment securing such bonds shall provide that any officer with whom, or any bank or trust company with which, such moneys shall be deposited shall act as trustees of such moneys and shall hold and apply the same for the purposes hereof, subject to such regulations as this act and such resolution or trust agreement may provide.

(b) Moneys collected from the surcharge authorized by section 6, and amendments thereto, shall not be moneys or revenues subject to the trust imposed by subsection (a).

New Sec. 8. Sections 8 through 16, and amendments thereto, shall be known and may be cited as the state board of regents infrastructure maintenance finance loan program law.

New Sec. 9. As used in the state board of regents infrastructure maintenance finance loan program law, and amendments thereto:

(a) "State board loan fund" means the state board of regents pooled money investment board loan fund established by section 11, and amendments thereto.

(b) "Infrastructure finance loan fund" means the state board of regents infrastructure finance loan fund established by section 10, and amendments thereto.

(c) "Costs" means all costs or expenses which are necessary or incidental to an infrastructure improvement project and which are directly attributable thereto.

(d) "Infrastructure" means a building and related utility systems located at a state educational institution.

(e) "Improvement" means the maintenance, repair, reconstruction or rehabilitation of infrastructure. "Improvement" shall not mean new construction of infrastructure.

(f) "Infrastructure improvement project" or "project" means the maintenance, repair, reconstruction or rehabilitation of a building and related utility systems located at a state educational institution.

(g) "Regents loan funds" means the infrastructure finance loan fund and the state board loan fund.

(h) "State educational institution" has the meaning ascribed thereto in K.S.A. 76-711, and amendments thereto.

(i) "State board" means the state board of regents.

(j) "Authority" means the Kansas development finance authority.

(k) "State board of regents infrastructure maintenance finance loan program" or "program" means the state board of regents infrastructure maintenance finance loan program established by section 12, and amendments thereto.

New Sec. 10. (a) There is hereby established in the state treasury the state board of regents infrastructure finance loan fund. The following shall be deposited to the credit of the infrastructure finance loan fund:

Sections 8 through 16 constitute the state board of regents infrastructure maintenance finance loan program law.

Two funds are established under the act and collectively are referred to at the regents loan funds.

Sec. 10. Establishes the state board of regents infrastructure finance loan fund which consists of moneys appropriated by the legislature, proceeds of bonds issued by the KDFA, repayments of loans and interest thereon, amounts earned on the investment of bond proceeds and amounts contributed from other public and private sources.

2-7

(1) Amounts appropriated or otherwise made available by the legislature for the purposes of the infrastructure finance loan fund;
(2) the proceeds, if any, from the sale of bonds issued pursuant to section 17, and amendments thereto, for the purposes of the infrastructure finance loan fund to the extent provided in any agreement entered into between the state board or the state treasurer, or both the state board and the state treasurer, and the authority;
(3) amounts of repayments made by the state board for loans financed with moneys credited to the infrastructure finance loan fund, together with payments of interest thereon, in accordance with agreements entered into between the state board and the state treasurer;
(4) amounts earned on the investment of bond proceeds in the infrastructure finance loan fund; and
(5) amounts contributed or otherwise made available by any public or private entity for use in effectuating the purposes of the infrastructure finance loan fund.
(b) Subject to the provisions of sections 8 through 16, and amendments thereto, and to the provisions of appropriations acts, expenditures from the infrastructure finance loan fund may be made solely for the following purposes:
(1) To provide financial assistance to the state board or a state educational institution to finance infrastructure improvement projects;
(2) to provide reserves for or otherwise secure bonds issued pursuant to section 17, and amendments thereto, and to provide insurance or other credit enhancement for such bonds;
(3) to provide reserves for, or to otherwise secure, amounts payable by the state board on loans made for infrastructure improvement projects under the university infrastructure finance law in the event of default on a particular loan;
(4) for the payment of the principal, including sinking fund payments of and premium, if any, and interest on bonds issued pursuant to section 17, and amendments thereto;
(5) to provide a subsidy for, or to otherwise assist, the state board in the payment of debt service costs on loans made pursuant to sections 8 through 16, and amendments thereto; and
(6) to pay administrative costs of the infrastructure finance loan fund or incurred pursuant to paragraphs (1) through (5).
(c) The state treasurer is authorized to pledge all revenues, moneys and assets of the infrastructure finance loan fund to the repayment of bonds issued pursuant to section 17, and amendments thereto.
(d) On or before the 10th day of each month, the director of accounts and reports shall transfer from the state general fund to the infrastructure finance loan fund interest earnings based on:

Money in the fund may be expended:
to provide financial assistance to the SBOR or SEI to finance infrastructure improvement projects
to provide reserves for or secure bonds issued under section 17
to provide reserves for or to secure amount payable by the SBOR on loans made for projects under the UIFLaw
for the payment of the principal and interest on bonds issued under section 17
for payment of debt service costs on loans made under the UIFLaw
for administrative costs

(c) The state treasurer is authorized to pledge the revenues of the IFLF to repayment of bonds issued under section 17

(1) The average daily balance in the infrastructure finance loan fund for the preceding month; and

(2) the net earnings rate of the pooled money investment portfolio for the preceding month.

New Sec. 11. (a) There is hereby established in the state treasury a fund to be known as the state board of regents pooled money investment board loan fund. The following shall be deposited to the credit of the state board loan fund:

(1) Any amounts provided by the pooled money investment board for the purposes of the state board loan fund; and

(2) amounts of repayments made by the state board of loans financed with moneys credited to the state board loan fund, exclusive of interest which shall be applied as provided in subsection (c) of section 12, and amendments thereto, in accordance with agreements entered into between the state board and the state treasurer.

(b) On or before the 10th day of each month, the director of accounts and reports shall transfer from the state general fund to the state board loan fund interest earnings based on:

(1) The average daily balance in the state board loan fund for the preceding month; and

(2) the net earnings rate of the pooled money investment portfolio for the preceding month.

New Sec. 12. (a) There is hereby established the state board of regents infrastructure maintenance finance loan program. The state board shall be responsible for the administration of the program including the prioritization of projects, the recommendation of projects for loans, the amount of loans and the identification of the dedicated revenues necessary to repay the loan for each approved project. The total aggregate amount of loans outstanding under the program at any one time shall not exceed $200,000,000. Except as provided for loans financed by the issuance of bonds, the term of any loan made from the regents loan funds shall not exceed eight years. In the case of a loan financed by the issuance of bonds, the term of such loan shall not exceed the period of time for which such bonds are issued.

(b) Upon request of the state board, the state treasurer shall transfer from the infrastructure finance loan fund an amount not to exceed the total amount of each loan in increments of not less than $250,000 to an account or accounts of a state educational institution for expenditure by the institution for one or more infrastructure improvement projects as approved by the state board. The state treasurer also may make expenditures from the infrastructure finance loan fund and from the revenues described in subsection (e) for the payment of debt service on revenue bonds issued to finance such projects and the repayment of loans, upon

Sec. 11. Established the state board of regents pooled money investment board loan fund which consists of amount provided by the PMIB and amounts of repayments of loans financed with moneys credited to the state board loan fund.

Sec. 12. Establishes the state board of regents infrastructure maintenance finance loan program which is administered by the SBOR.
Allows for the making of loans to SEI finance infrastructure projects.
Loans may not exceed a term of eight years unless finance by the issuance of bonds. Loans must be in an amount of at least $250,000
No more than $200 million in loans may be outstanding at any one time under the program

8-9

request by the state board.

(c) Upon request of the state board, the state treasurer shall transfer from the state board loan fund an amount not to exceed the total amount of each loan in increments not less than $250,000 to an account or accounts of an educational institution for expenditure by the institution for one or more infrastructure improvement projects as approved by the state board. Interest shall accrue on the outstanding balance once the loan proceeds are transferred to the state educational institution. All interest paid on a loan made from the state board loan fund shall be deposited in the state general fund.

(d) The state board may enter into agreements and contracts with state educational institutions, the state treasurer and others as required to ~~effect~~ the purposes of sections 8 through 16, and amendments thereto, including without limitation, the loan agreements described in subsection (e).

effectuate

(e) The state board may enter into one or more loan agreements with the state treasurer for each infrastructure improvement project pursuant to which the state board shall agree to repay each loan. Each loan agreement shall provide for a pledge to the repayment of the loan made thereby of the general revenues of the state board, and may provide for an additional pledge to the repayment of the loan made thereby of the applicable revenues of a state educational institution, if any, as determined by the state board. The state board is authorized to consent to the assignment of loan agreements for loans made from the infrastructure finance loan fund and the revenues payable pursuant to such loan agreements for the payment of bonds approved pursuant to section 17, and amendments thereto.

The SBOR may enter into loan agreements with the state treasurer for each infrastructure improvement project.

(f) Oversight of infrastructure improvement projects approved by the state board and financed pursuant to sections 8 through 17, and amendments thereto, shall be provided by the joint committee on state building construction. The state board shall advise and consult with the joint committee on state building construction as required by subsection (b) of K.S.A. 75-3717b, and amendments thereto, regarding each infrastructure improvement project which has been approved by the state board. No loan shall be made for any infrastructure improvement project unless the state board first has advised and consulted with the joint committee on state building construction, which advising and consulting shall occur before making the first transfer from the regents loan funds to any account or accounts of the state board or such state educational institution.

Oversight of improvement projects is to be provided by the JCBC. The SBOR is required to advise and consult with the JCBC prior to the transfer of any money from the regents loan funds to the SBOR or a SEI.

New Sec. 13. (a) The state board may apply for loans pursuant to sections 8 through 16, and amendments thereto, on behalf of state educational institutions. The information specified in subsection (a) of section 12, and amendments thereto, shall be included in any application for a

Sec. 13. Provides that the SBOR applies for the loans on behalf of a SEI.

2-10

loan, along with such other information regarding the loan, the infrastructure improvement project, the applicable state educational institution and any other information that the pooled money investment board may require.

(b) The state board shall forward a completed loan application to the pooled money investment board for consideration.

(c) The pooled money investment board shall accept and review applications for loans to be made from the regents loan funds.

(d) Unless provision has been made with the state treasurer and the authority for the funding of a loan from the infrastructure finance loan fund, the loan shall be made from the state board loan fund.

(e) The pooled money investment board may reject an application for a loan only if the amount of the loan requested causes the total amount for the program to exceed the limit set forth in subsection (a) of section 12, and amendments thereto, or the limits imposed by subsection (d) of K.S.A. 75-4209, and amendments thereto.

(f) The pooled money investment board shall forward to the state treasurer, an approved state board loan application.

New Sec. 14. Upon receipt of a state board loan application approved by the pooled money investment board, the state treasurer shall enter into a loan agreement with the state board to make a state board loan in the amount certified by the state treasurer. Loans made from the state board loan fund shall bear interest at a variable rate of interest, which is 2% below the market rate for a one-year maturity provided in K.S.A. 75-4237, and amendments thereto, and which shall be recalculated on the first business day of January and July of each year using the market rate then in effect. Loans made from the infrastructure finance loan fund shall bear interest at an interest rate which is 80% of the ninety-day average of the Bond Buyer 20 Bond Index on the date of the loan agreement.

New Sec. 15. If the state treasurer enters into an agreement for a loan to be made from the state board loan fund, the pooled money investment board shall transfer the amount of the loan to the state board loan fund.

New Sec. 16. The state and the state treasurer shall not be liable in any manner for payment of the principal and interest obligations incurred by the state board pursuant to sections 8 through 16, and amendments thereto.

New Sec. 17. The Kansas development finance authority is hereby authorized to issue revenue bonds pursuant to subsection (a) of K.S.A. 74-8905, and amendments thereto, for the purpose of financing an infrastructure improvement project or to finance, acquire or reimburse the pooled money investment board for loans made pursuant to sections 8

Loan applications are submitted to the PMIB for consideration and may be rejected only if the amount requested causes the total outstanding amount of loans to exceed the $200 million-limit or the loan investment limit in KSA 75-4209.

Approved loan applications are forwarded to the state treasurer, who enters into a loan agreement with the SBOR. Interest is paid on the loans.

Sec. 17. KDFA is authorized to issue revenue bonds to finance improvement projects or to finance, acquire or reimburse the PMIB for loans made pursuant to the loan program.

through 16, and amendments thereto. Infrastructure improvement projects which are initiated by the state board of regents under the university infrastructure finance law are hereby approved for the state board for the purposes of subsection (b) of K.S.A. 74-8905, and amendments thereto. The total amount of bonds issued pursuant to this section shall not exceed the amount necessary to finance the loans authorized pursuant to sections 8 through 16, and amendments thereto, together with any necessary or appropriate reserve funds and costs of issuance, including credit enhancement. Proceeds of revenue bonds issued under this section shall be deposited in the state board infrastructure finance loan fund.

Sec. 18. K.S.A. 2006 Supp. 75-4209 is hereby amended to read as follows: 75-4209. (a) The director of investments may invest and reinvest state moneys eligible for investment which are not invested in accordance with K.S.A. 75-4237, and amendments thereto, in the following investments:

(1) Direct obligations of, or obligations that are insured as to principal and interest by, the United States of America or any agency thereof and obligations and securities of the United States sponsored enterprises which under federal law may be accepted as security for public funds, on and after the effective date of this act moneys available for investment under this subsection shall not be invested in mortgage-backed securities of such enterprises and of the government national mortgage association, except that any such mortgage-backed securities held prior to the effective date of this act may be held to maturity;

(2) repurchase agreements with a bank or a primary government securities dealer which reports to the market reports division of the federal reserve bank of New York for direct obligations of, or obligations that are insured as to principal and interest by, the United States government or any agency thereof and obligations and securities of United States government sponsored enterprises which under federal law may be accepted as security for public funds;

(3) commercial paper that does not exceed 270 days to maturity and which has received one of the two highest commercial paper credit ratings by a nationally recognized investment rating firm.

(b) When moneys are available for deposit or investments, the director of investments may invest in SKILL act projects and bonds pursuant to K.S.A. 74-8920, and amendments thereto, and in state agency bonds and bond projects.

(c) When moneys are available for deposits or investments, the director of investments may invest in preferred stock of Kansas venture capital, inc., under terms and conditions prescribed by K.S.A. 74-8203, and amendments thereto, but such investments shall not in the aggregate exceed a total amount of $10,000,000.

Sec. 18. Amends KSA 75-4209 to increase the limit on the amount of state moneys that the director of investments may invest in loans pursuant to legislative mandates. Current limit is 10% of money available or $80 million, the bill increases the limits to 20% or $300 million. [See subsection (d), p. 11]

(d) When moneys are available for deposits or investments, the director of investments may invest in loans pursuant to legislative mandates, except that not more than the lesser of ~~10% or $80,000,000~~ *20% or $300,000,000* of the state moneys shall be invested.

(e) Interest on investment accounts in banks is to be paid at maturity, but not less than annually.

(f) Investments made by the director of investments under the provisions of this section shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

(g) Investments under subsection (a) or (b) or under K.S.A. 75-4237, and amendments thereto, shall be for a period not to exceed four years, except that linked deposits authorized under the provisions of K.S.A. 2006 Supp. 2-3703 through 2-3707, and amendments thereto, shall not exceed a period of 10 years and agricultural production loan deposits authorized under the provisions of K.S.A. 2006 Supp. 75-4268 through 75-4274, and amendments thereto, shall not exceed a period of eight years.

(h) Investments in securities under paragraph (1) of subsection (a) shall be limited to securities which do not have any more interest rate risk than do direct United States government obligations of similar maturities. For purposes of this subsection, "interest rate risk" means market value changes due to changes in current interest rates.

(i) The director of investments shall not invest state moneys eligible for investment under subsection (a), in the municipal investment pool fund, created under K.S.A. 2006 Supp. 12-1677a, and amendments thereto.

(j) The director of investments shall not invest moneys in the pooled money investment portfolio in derivatives. As used in this subsection, "derivatives" means a financial contract whose value depends on the value of an underlying asset or index of asset values.

(k) Moneys and investments in the pooled money investment portfolio shall be invested and reinvested by the director of investments in accordance with investment policies developed, approved, published and updated on an annual basis by the board. Such investment policies shall include at a minimum guidelines which identify credit standards, eligible instruments, allowable maturity ranges, methods for valuing the portfolio, calculating earnings and yields and limits on portfolio concentration for each type of investment. Any changes in such investment policies shall be approved by the pooled money investment board. Such investment policies may specify the contents of reports, methods of crediting funds and accounts and other operating procedures.

2-13

(l) The board shall adopt rules and regulations to establish an overall percentage limitation on the investment of moneys in investments authorized under paragraph (3) of subsection (a), and within such authorized investment, the board shall establish a percentage limitation on the investment in any single business entity.

Sec. 19. K.S.A. 2006 Supp. 75-4237 is hereby amended to read as follows: 75-4237. (a) The director of investments shall accept requests from banks interested in obtaining investment accounts of state moneys. Such requests may be submitted any business day and shall specify the dollar amount and maturity. The director of investments is authorized to award the investment account to the requesting bank at the market rate established by subsection (b). Awards of investment accounts pursuant to this section shall be subject to investment policies of the pooled money investment board. When multiple requests are received and are in excess of the amount available for investment that day for any maturity, awards shall be made available in ascending order from smallest to largest dollar amount requested, subject to investment policies of the board.

Sec. 19. Amends 75-4237 to fix the amount of interest to be paid on loans from the pooled money investment board loan fund.

(b) The market rate shall be determined each business day by the director of investments, in accordance with any procedures established by the pooled money investment board. Subject to any policies of the board, the market rate shall reflect the highest rate at which state moneys can be invested on the open market in investments authorized by subsection (a) of K.S.A. 75-4209, and amendments thereto, for equivalent maturities.

(c) (1) Notwithstanding the provisions of this section, linked deposits made pursuant to the provisions of K.S.A. 2-3703 through 2-3707, and amendments thereto, shall be at an interest rate which is 2% less than the market rate determined under this section and which shall be recalculated on the first business day of each calendar year using the market rate then in effect.

(2) Notwithstanding the provisions of this section, agricultural production loan deposits made pursuant to the provisions of K.S.A. 2006 Supp. 75-4268 through 75-4274, and amendments thereto, shall be at 2% less than the market rate provided by this section and which shall be recalculated on the first business day of ~~each calendar~~ *January and July of each* year using the market rate then in effect.

(3) Notwithstanding the provisions of this section, pooled money investment board loan fund loans made pursuant to the provisions of sections 8 through 16, and amendments thereto, shall be made at a rate 2% less than the market rate provided by this section and such rate shall be recalculated on the first business day of January and July of each year using the market rate in effect on such date.

New Sec. 20. (a) Each contract entered into by any state board of

Sec. 20. Imposes wage requirements to be paid to contractors, subcontractors, employees and workers on infrastructure improvement projects. Wages must be not less than the hourly wage including fringe benefits paid to workers for similar work performed in the county or the amount paid on federally funded projects.

regents for any infrastructure improvement project financed under the university infrastructure finance law or the state board of regents infrastructure maintenance finance loan program law shall be based on bid or contract specifications prescribing and requiring that employees of any contractor or subcontractor shall be paid not less than the hourly wages, including fringe benefits, paid to corresponding classes of laborers and mechanics employed on similar projects in the county where the project is to be performed. Such minimum wage shall be the wage paid to the majority of the laborers or mechanics, unless the same wages are not paid to a majority, in which case the minimum wage shall be the average wages paid, weighted by the total employed in the classification. In the alternative, the minimum wage shall be the wage determined under federal law which would be required to be paid on federally funded projects at the location of the public works project.

(b) Employees employed by contractors or subcontractors in the execution of a contract for any infrastructure improvement project financed under the university infrastructure finance law or the state board of regents infrastructure maintenance finance loan program law shall be paid not less than the wages as determined pursuant to subsection (a).

New Sec. 21. If the cost of any infrastructure improvement project under the university infrastructure finance law or the state board of regents infrastructure maintenance finance law or any other capital improvement project exceeds $100,000, the construction documents for such project shall prescribe standards for energy conservation that provide the highest level of energy conservation and efficiency that is practical for the project, including participation in the facilities conservation improvement program, as approved by the energy office of the state corporation commission. The standards for energy conservation approved for the project by the state corporation commission shall be included as program and base bid requirements for the project and not as bid alternates.

New Sec. 22. Prior to the commencement of any infrastructure improvement project under the university infrastructure finance law or the state board of regents infrastructure maintenance finance law the cost of which exceeds $500,000 and prior to the commencement of any other capital improvement project the cost of which exceeds $500,000 for the construction of any new building or major addition to a building of a nature that would increase the maintenance costs of such building, the state board of regents shall provide for the ongoing maintenance costs of such infrastructure improvement project or capital improvement project by identifying in its budget for the following fiscal year funds available for such purpose. In addition, each subsequent capital improvements budget of the state board of regents shall provide for the ongoing main-

Sec. 21. Requires the construction documents of an infrastructure improvement projects financed under this act or any other capital improvement project the cost of which exceeds $100,000 to prescribe standards for energy conservation that provide the highest level of energy conservation and efficiency that is practical for the project.

Sec. 22. If the cost of an infrastructure improvement project financed under this act exceeds $500,000 or the cost of any other capital improvement project which exceeds $500,000, the SBOR is required to provided for the ongoing maintenance cost of the improvement and must identify in its budget the funds available for such maintenance.

2-15

tenance cost of each such infrastructure improvement project or capital improvement project.

Sec. 23. K.S.A. 68-2011 and K.S.A. 2006 Supp. 75-4209 and 75-4237 are hereby repealed.

Effective in KR

Sec. 24. This act shall take effect and be in force from and after its publication in the Kansas register.

FOUNDATIONS FOR THE FUTURE

University Infrastructure Finance Program

LEGISLATIVE BRIEFING BOOK

Version 1 – March 13, 2007

Senate Ways and Means
3-13-07
Attachment 3

Steve Weatherford, KDFA

Foundations for the Future

Enhancing the quality of academic facilities at Kansas universities

Governor Kathleen Sebelius believes we must address the crisis of deferred maintenance at our state's universities. Her proposal would provide $575 million for maintenance and upkeep, to be focused on facilities that advance the academic mission of the Regents institutions. It also includes new accountability measures to prevent future maintenance backlogs.

Key Elements of the Governor's Proposal

1. **Provide $15 million per year to make the Education Building Fund whole.** Half of the $30 million a year statewide one mill levy on real property pledged to the Education Building Fund is currently being used to debt service the Crumbling Classrooms initiative which was authorized by the legislature in 1996. The Governor's plan would free up these funds by using $75 million in unanticipated revenues produced by our state's growing economy to make the Education Building Fund whole. The Governor's plan also would reinforce that the permitted use of the Education Building Fund is to pay for the on-going maintenance requirements of the Universities existing state owned buildings.

2. **Provide $300 million in funds to the Regents over six years for deferred maintenance.** The Board of Regents would be provided $50 million per year over six years to address critical maintenance needs. To fund this, the Governor's plan proposes legislation requesting the Kansas Turnpike Authority to implement and collect a surcharge over and above their existing and future toll structure. The surcharge, not to exceed 5 percent per year would be implemented over a seven-year period. The State Building Committee would maintain oversight over the deferred maintenance projects, ensuring they are prioritized by their impact on the academic mission of the universities and follow all other state guidelines for capital improvements, such as for increased energy efficiency.

3. **Provide access to $200 million in low-interest loans to Regents institutions.** Legislation will be proposed to authorize the Pooled Money Investment Board to provide up to $200 million in loans to fund a revolving loan program administered by the Board of Regents. The State Building Committee would provide oversight of the individual projects approved by the Board of Regents, and the Regents would be responsible for the administration of the program, including prioritizing the projects, sizing the loans and identifying the dedicated revenues necessary to repay the loans.

4. **Mandate all future buildings constructed with donations or other funds not appropriated by the Legislature be maintained by the Regents.** This will prevent future maintenance backlogs by requiring the Regents to take the cost of maintenance into account when constructing new buildings. Maintenance of existing buildings and buildings constructed using money appropriated by the state would continue to be the responsibility of the state government. Regents buildings must be as efficient and low cost as possible in energy consumption.

List of Effective Pages

Overview – Program Element #1

Provide $15 million per year to make the Education Building Fund whole. Half of the $30 million a year statewide one mill levy on real property pledged to the Education Building Fund is currently being used to debt service the Crumbling Classrooms initiative which was authorized by the legislature in 1996. The Governor's plan would free up these funds by using $75 million in unanticipated revenues produced by our state's growing economy to make the Education Building Fund whole. The Governor's plan also would reinforce that the permitted use of the Education Building Fund is to pay for the on-going maintenance requirements of the Universities existing state owned buildings.

Financial Summary

Education Building Fund	1.000 mill Property Tax Levy
Annual Receipts	~$30 million
Annual Disbursements	~1/2 Debt Service Crumbling Classroom Bonds ~1/2 Maintenance
Education Building Fund Restoration Fund	$75 million Five years ~ $15 million per year annual maintenance
Economic Analysis	Investment of funds for defeasance limited to arbitrage yield of bonds → **$1.8 million disincentive** to defease bonds given current market conditions

Overview – Program Element #2

Provide $300 million in bond proceeds to the Regents over six years for deferred maintenance. The Governor's plan would propose legislation requesting the Kansas Turnpike Authority to implement and collect a surcharge over and above their existing and future toll structure. The surcharge, not to exceed 25 percent, would be implemented in conjunction with KTA proposed toll increases in approximately five percent increments over a seven year period. The State Building Committee would maintain oversight over the deferred maintenance projects, ensuring they are prioritized by their impact on the academic mission of the universities and follow all other state guidelines for capital improvements, such as for increased energy efficiency.

Financial Summary

Program Size	$300,000,000
Distribution	$50,000,000 per year over six (6) years
Revenue for Repayment	25% surcharge on turnpike tolls - 5% increments over seven (7) year period - Each 5% increment produces ~ $4,000,000
Annual Debt Service	$3,200,000 increasing to $19,500,000 over seven (7) years
Effect on Tolls	2007 Current Toll = 5.4 cents per mile 2014 Toll/Surcharge = 7.9 cents per mile* **includes 15% Toll increase by KTA and 25% surcharge*

Toll Impact Summary

Trip Charge from Topeka to	Class 2 Vehicles (Passenger) Toll in 2007	Toll in 2014*	*Increase*	Class 5 Vehicles (5 axle Commercial) Toll in 2007	Toll in 2014*	*Increase*
Lawrence	$0.85	$1.26	*$0.41*	$2.75	$4.06	*$1.31*
Kansas City	$2.00	$2.95	*$0.95*	$5.50	$8.13	*$2.63*
Emporia	$2.30	$3.40	*$1.10*	$8.25	$12.19	*$3.94*
Wichita	$5.30	$7.83	*$2.53*	$18.25	$26.96	*$8.71*
South Terminal	$6.80	$10.05	*$3.25*	$23.25	$34.35	*$11.10*
KC to South Terminal	$8.75	$12.93	*$4.18*	$25.75	$38.04	*$12.29*

**includes 15% Toll increase by KTA and 25% surcharge*

Rural Interstate Toll Roads	2005 Average Toll per Mile ($)	2014 Projected Average Toll per Mile ($)
Maine	N/A	N/A
New Hampshire	0.038	0.044
Kansas	***0.054***	-------
New York Thruway Authority	0.062	0.071
West Virginia	0.062	0.071
Oklahoma	0.066	0.076
Illinois (2004 miles)	0.068	0.078
Kansas proposed	-------	***0.079***
Ohio	0.073	0.085
Indiana	0.080	0.093
Florida	0.083	0.097
Pennsylvania	0.102	0.118
South Carolina	0.128	0.149
Average (excl. Kansas)	**0.076**	**0.088**

Source: International Bridge, Tunnel and Turnpike Association, 2006 Toll Information Report/Directory; Maine data unavailable since the state does not report annual miles traveled.

2014 Projected: Based on three 5% increases for all states except Kansas eight 5% increases (25% for surcharge)

ive 5% Surcharge Steps - Six $50M Debt Issuance SGF Backstop

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Turnpike Toll Revenue	75,750,000	80,673,750	81,883,856	83,112,114	88,514,402	89,842,118	91,189,749	97,117,083	98,573,839	100,545,316	107,080,762	109,222,377	111,406,824	118,648,268	121,021,233	123,441,658
Toll Increases		5.00%			5.00%			5.00%			5.00%			5.00%		
Traffic Increases		1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	2.00%	1.50%	2.00%	2.00%	1.50%	2.00%	2.00%
Total Revenue Growth		6.50%	1.50%	1.50%	6.50%	1.50%	1.50%	6.50%	1.50%	2.00%	6.50%	2.00%	2.00%	6.50%	2.00%	2.00%
Surcharge Levy Increase			5.00%	5.00%		5.00%	5.00%		5.00%							
Gross Surcharge Revenue			**4,094,193**	**8,311,211**	**8,851,440**	**13,476,318**	**18,237,950**	**19,423,417**	**24,643,460**	**25,136,329**	**26,770,190**	**27,305,594**	**27,851,706**	**29,662,067**	**30,255,308**	**30,860,414**
Debt Issuance (Project Fund)	**300,000,000**		50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	-							
Debt Payments			-	(3,252,572)	(6,505,144)	(9,757,715)	(13,010,287)	(16,262,859)	(19,515,431)	(19,515,431)	(19,515,431)	(19,515,431)	(19,515,431)	(19,515,431)	(19,515,431)	(19,515,431)
Surplus (Deficit)			4,094,193	5,058,640	2,346,297	3,718,602	5,227,663	3,160,558	5,128,029	5,620,898	7,254,760	7,790,164	8,336,276	10,146,636	10,739,878	11,344,984
ESCROW - NO INTERST EARNINGS			4,094,193	9,152,832	11,499,129	15,217,731	20,445,394	23,605,952	28,733,981	34,354,880	41,609,640	49,399,803	57,736,079	67,882,715	78,622,593	89,967,577
Revenue / Debt Service Coverage				2.56	1.36	1.38	1.40	1.19	1.26	1.29	1.37	1.40	1.43	1.52	1.55	1.58
Average User Rate per Mile ($) Toll + Surcharge	0.054	0.056	0.059	0.062	0.065	0.068	0.072	0.076	0.079	0.079	0.083	0.083	0.083	0.087	0.087	0.087
FINAL SURCHARGE LEVY		25.00%														

Debt Model Assumptions

Rate	5.000%
Term	30
Base	100,000,000
Payment	$6,505,144

MAJOR ASSUMPTIONS

1) 30-year level debt service at 5.000% interest; SGF backstop, No reserve fund; Tax-exempt bonds
2) 2% traffic growth LESS 0.5% for every 5% toll or surcharge increase; Traffic Study needed to check anticipated impact of raising tolls and surcharge

3-8

'ollmer Traffic Study Revenue Analysis

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Turnpike Toll Revenue	76,625,000	78,487,000	80,855,000	83,707,000	86,615,000	89,548,000	92,763,000	96,034,000	99,600,000	104,832,000	107,976,960	111,216,269	114,552,757	117,989,340	121,529,020	125,174,890
KTA Toll Increases		5.00%			5.00%			5.00%			5.00%			5.00%		
Surcharge Levy Increase			5.00%	5.00%		5.00%	5.00%		5.00%							
Gross Surchage Revenue			**3,850,238**	**7,609,727**	**7,874,091**	**11,680,174**	**15,460,500**	**16,005,667**	**19,920,000**	**20,966,400**	**21,595,392**	**22,243,254**	**22,910,551**	**23,597,868**	**24,305,804**	**25,034,978**
Debt Issuance (Project Fund)	**300,000,000**		50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000								
Debt Payments			-	(3,252,572)	(6,505,144)	(9,757,715)	(13,010,287)	(16,262,859)	(19,515,431)	(19,515,431)	(19,515,431)	(19,515,431)	(19,515,431)	(19,515,431)	(19,515,431)	(19,515,431)
Surplus (Deficit)			3,850,238	4,357,156	1,368,947	1,922,459	2,450,213	(257,192)	404,569	1,450,969	2,079,961	2,727,823	3,395,121	4,082,437	4,790,373	5,519,548
ESCROW - NO INTERST EARNINGS			3,850,238	8,207,394	9,576,341	11,498,800	13,949,013	13,691,821	14,096,390	15,547,359	17,627,321	20,355,144	23,750,265	27,832,702	32,623,076	38,142,623
Revenue / Debt Service Coverage				2.34	1.21	1.20	1.19	0.98	1.02	1.07	1.11	1.14	1.17	1.21	1.25	1.28
Average User Rate per Mile ($) Toll + Surcharge	0.054	0.056	0.059	0.062	0.065	0.068	0.072	0.076	0.079	0.079	0.083	0.083	0.083	0.087	0.087	0.087
FINAL SURCHARGE LEVY		**25.00%**														

Debt Model Assumptions

Rate	5.000%
Term	30
Base	100,000,000
Payment	$6,505,144

MAJOR ASSUMPTIONS

1) 30-year level debt service at 5.000% interest; SGF backstop, No reserve fund; Tax-exempt bonds
2) Vollmer Study Toll Revenue 2007 to 2015; Assumed 3% annual growth thereafter

Vollmer Study Points

1) Independence - The study was sponsored by an interested party, KTA, and performed by KTA's incumbent Traffic Engineer; an independent and more comprehensive study should be performed
2) Single factor analysis - The study appears to assume that the sole driver of passenger traffic for the period 2004-2006 was due to a single toll rate change in 2004. It is possible that several other factors could have effected traffic during this time (i.e. gas prices).
3) Scale of change - The study appears to extrapolate traffic changes from a single 5% toll rate increase; it is possible that effects of a significantly different toll increase regime may not be accurately represented by extrapolating one single increase
4) Private Investor Indication of Value - Lease concession deals in Indiana and Chicago implicitely indicate that traffic sensitivity to toll increases would tend to be lower than indicated by the study
5) Ohio late 1990's experience - URS traffic study of Ohio "small toll rate increases (10% to 20%) have little or no long-range effect on commercial turnpike traffic"

IBTTA Traffic and Revenue Study Excerpt:

Traffic & Revenue Forecast & Level of Service Status
2006 Annual Update Report

URS has developed estimates of traffic and toll revenue for the James W. Shocknessy Ohio Turnpike (the "Ohio Turnpike"), in connection with the issuance of all bond series since 1995 as well as the development of each annual budget. The following table shows the annual toll revenue forecasts compared to the actual annual revenue for the ten-year period ending December 31, 2005, during which the total forecast varied from actual revenue by only 0.54 percent:

Year	Toll Revenue	Toll Revenue	Variance
1996	$122,177,000	$122,194,000	0.01%
1997	$144,606,000	$143,503,000	-0.77%
1998	$153,085,500	$156,174,565	1.98%
1999	$172,863,050	$176,429,638	2.02%
2000	$179,846,600	$176,772,400	-1.74%
2001	$179,178,300	$174,323,500	-2.78%
2002	$173,970,180	$179,216,140	2.93%
2003	$179,129,859	$179,987,692	0.48%
2004	$187,508,147	$189,701,209	1.16%
2005	$176,035,000	$179,085,393	1.70%
Total	$1,668,399,636	$1,677,387,537	0.54%

Since 1995 URS also has carefully analyzed traffic movements on a monthly basis with emphasis on the effect of the toll rate increases between 1995 and 1999. On the basis of the effect the 1982 toll rate increases on Ohio Turnpike traffic and similar toll rate increases on the Pennsylvania Turnpike and the New York Thruway, URS developed toll elasticity factors for the traffic and revenue reports for the various bond series. As shown in the above table they were very accurate for the period covering the first three toll rate increases (1995-1997); however, in 1998 and 1999 when the last 30 percent increase was imposed, the diversion was slightly less than expected, and actual toll revenue was approximately 2 percent higher than the forecast each year

In early 2004 in anticipation of the implementation of incentives to attract trucks from routes parallel to the turnpike, URS began a detailed analysis of daily traffic origins and destinations by vehicle class and densities between interchanges; and computer models were developed to analyze the effects of the truck speed limit increase on September 8, 2004 and the temporary toll rate decreases for Classes 4-9 implemented on January 1, 2005. From these analyses the following conclusions are supported by summary data presented herein:

- The effect of the toll rate increases between 1995 and 1999 was not significant, and all but 2.79 percent of the 10.38 percent of the trucks diverted to parallel routes in 1996 and 1997 had returned to the turnpike by 1999. Thus there is no support for the widespread belief that the perceived large growth in truck traffic on the parallel routes was due the toll rate increases on the turnpike.

- From September 8, 2004 to the end of the year there was a net increase in truck vehicle miles of travel (VMT) of 10.17 percent (16.37 percent minus the 6.10 percent growth trend prior to Sept. 8), most of which can be attributed to the truck speed limit increase.

- Following the implementation of the temporary toll rate decreases for Classes 4-9 on January 1, 2005, the average net increase (in addition to the 16.37 percent growth trend prior to Jan. 1) in VMT for those classes to the end of the year was 3.97 percent. That compares favorably to URS's projection of a 4.59 percent increase based on experience gained from the 45 percent increase between 1995 and 1997.

- Of the total trucks in Classes 4-9 now using the turnpike, approximately 96 percent were paying the 2004 toll rates prior to January 1, 2005. Therefore, ***only approximately 4 percent would be affected by a toll rate increase reinstating the 2004 toll rates***. Because the proposed toll rate increase is approximately one-third of the temporary toll rate decrease, at most only 1.3 percent of the Classes 4-9 trucks would be potential defectors from the turnpike.

Effect of Toll Rate Increases Between 1995 and 1999

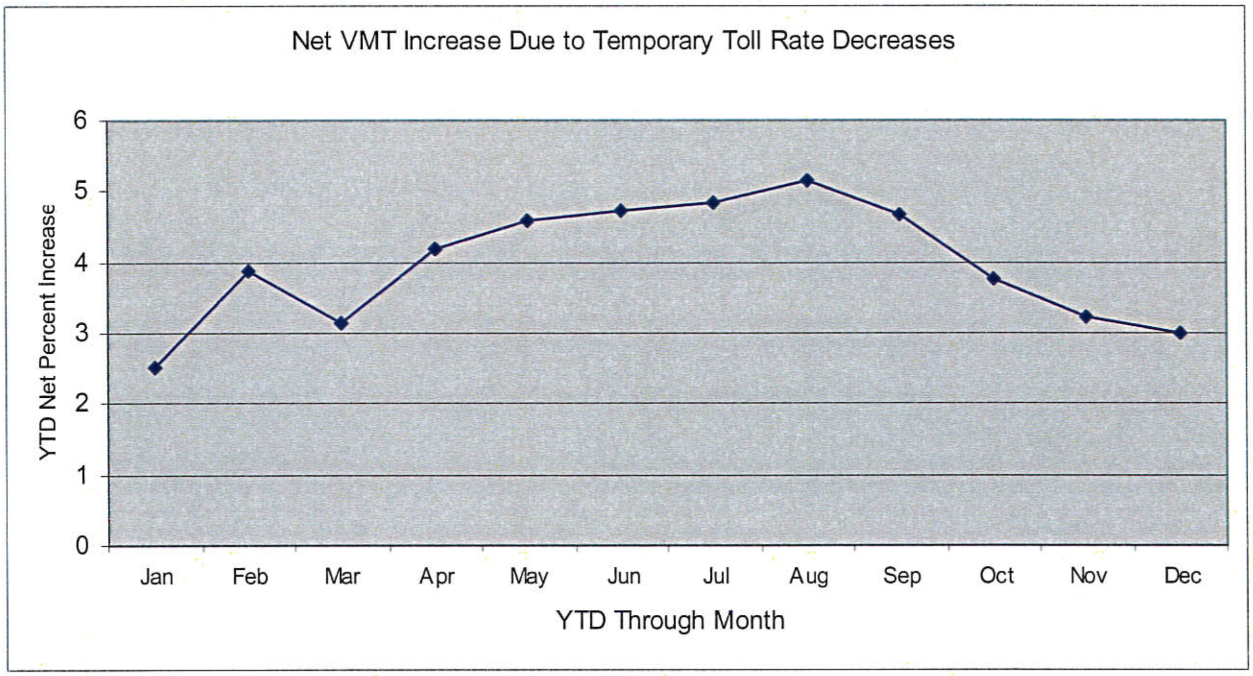
The following table shows the annual truck VMT during the years of the five incremental toll rate increases, the annual percent changes, normal annual growth rates and net increases/decreases. As indicated, the initial 3 increases totaling 45 percent resulted in a net decrease in truck VMT of 10.38 percent (5.84% actual plus 5.54% normal growth). After 1997 there were no net decreases in truck VMT, indisputable evidence that the toll rate increases on January 1, 1998 and January 1, 1999 had no adverse effect on truck VMT and did not result in any net diversion of trucks to parallel routes.

	Toll Rate Increase	Truck VMT	VMT Growth	Normal Growth	Net Growth
1994		777,270,000			
1995	10.00%	797,785,000	2.64%	2.27%	2.64%
1996	15.00%	781,674,000	-2.02%	2.27%	-4.29%
1997	20.00%	751,771,899	-3.82%	2.27%	-6.10%
1998	20.00%	772,423,792	2.75%	2.27%	0.48%
1999	9.15%	836,591,000	8.31%	1.56%	6.75%
Total	74.15%		7.85%	10.64%	-2.79%

The total of the five toll rate increases was 74.15 percent: however, compounding resulted in the 1999 rates being approximately 82 percent higher than the 1994 rates. The net decrease in truck VMT over the five-year period was only 2.79 percent, hardly indicative of a significant diversion of trucks from the turnpike to parallel routes.

Effect of Temporary Toll Rate Decreases of January 1, 2005

On the basis of the net 10.38 percent decrease in truck VMT following the 45 percent toll rate increases between 1995 and 1997, URS predicted a proportional 4.59 VMT increase as the result of the weighted average 22.59 toll rate decrease implemented on January 1, 2005. The actual average net increase in VMT from Classes 4-9 in 2005 was 3.97 percent as depicted by month on the following chart:



The above assumes that the entire net increase of 3.97 percent in Classes 4-9 VMT can be attributed to the toll rate decreases. For this assumption to be valid there also must be an assumption that there was no gain from improved economic conditions. While that is possible, it is highly unlikely.

It is our experience, supported by the data contained herein, that small toll rate increases (10% to 20%) have little or no long-range effect on commercial turnpike traffic on the Ohio Turnpike. While there may be some initial negative reaction commensurate with the magnitude of the increase it appears to vanish within a relatively short time. Therefore, there is no reason to believe that the proposed toll rate increase of one-half cent per mile for Classes 1-3 and one cent per mile over the temporary toll rates implemented on January 1, 2005 for Classes 4-9 will result in a noticeable diversion of truck traffic from the turnpike to parallel routes. These toll rates for heavy trucks (Class 8, most VMT) ***actually represent a 21 percent decrease from the toll rates in effect from January 1, 1999 to January 1, 2005*** compared to the 27 percent decrease provided by the temporary rates.

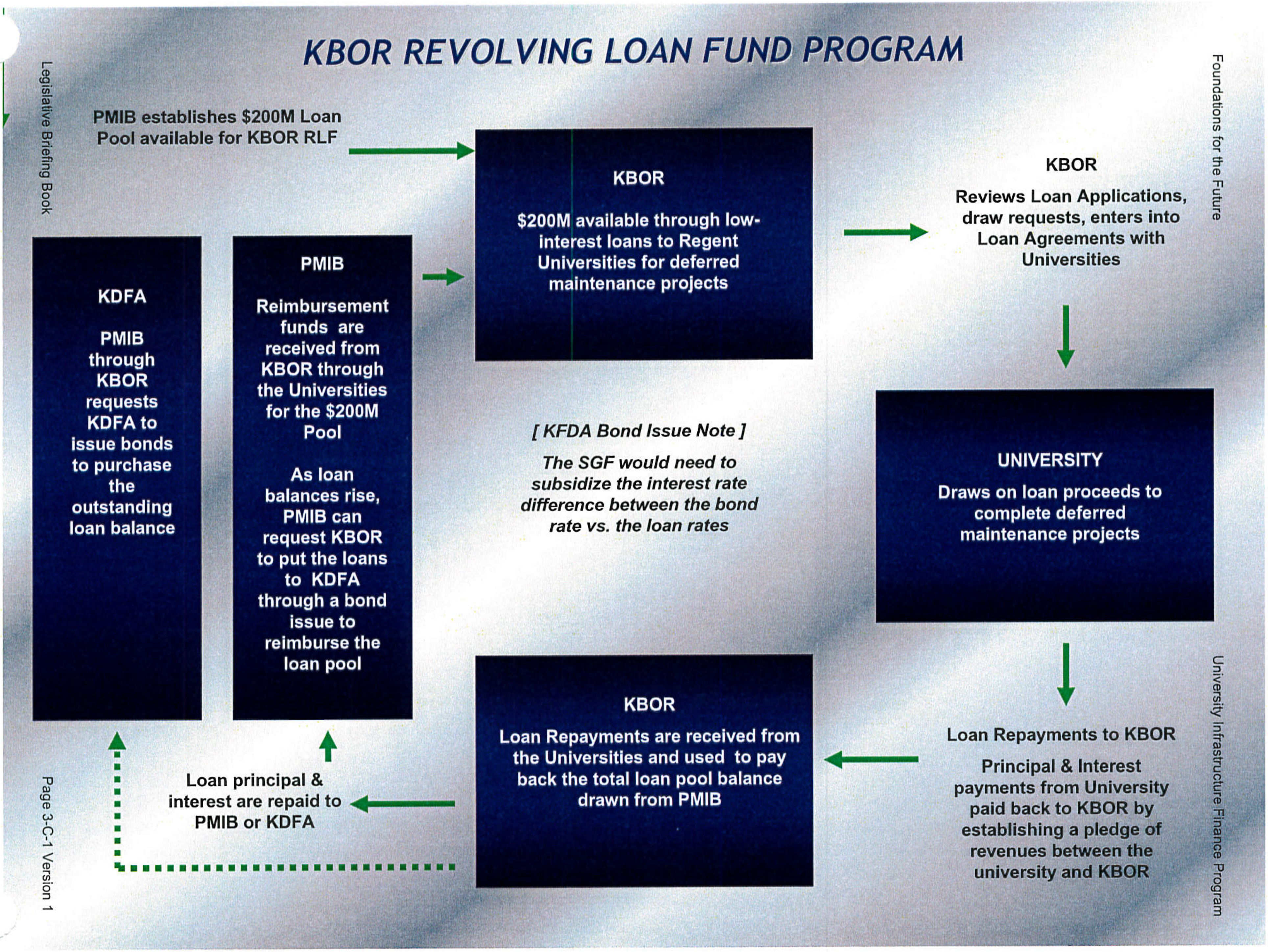
Overview – Program Element #3

Provide access to $200 million in low-interest loans to Regents institutions. Legislation will be proposed to authorize the Pooled Money Investment Board to provide up to $200 million in loans to fund a revolving loan program administered by the Board of Regents. Oversight of the individual projects approved by the Board of Regents would be provided by the State Building Committee. The Regents would be responsible for the administration of the program including prioritizing the projects, sizing the loan and identifying the dedicated revenues necessary to repay the loans. The PMIB, at their discretion, may put the loans at any time with the Kansas Development Finance Authority in exchange for proceeds from the sale of bonds secured by a general revenue pledge from the Board of Regents.

Financial Summary

Program Size	$200,000,000
Program Incentive	Subsidized loans for infrastructure projects 2% below market rate; later 80% BBI
Distribution	Minimum $250,000 increments
Revenue for Repayment	University identified (subsidy amount intended to come from SGF)
Effect on SGF	Approximately $4,000,000 per year at capacity; transition to bond program would require capitalization but eliminate $4,000,000 per year

3-13


KBOR REVOLVING LOAN FUND PROGRAM
Legislative Briefing Book
Foundations for the Future
PMIB establishes $200M Loan Pool available for KBOR RLF
KBOR
$200M available through low-interest loans to Regent Universities for deferred maintenance projects
KBOR
Reviews Loan Applications, draw requests, enters into Loan Agreements with Universities
KDFA
PMIB through KBOR requests KDFA to issue bonds to purchase the outstanding loan balance
PMIB
Reimbursement funds are received from KBOR through the Universities for the $200M Pool
As loan balances rise, PMIB can request KBOR to put the loans to KDFA through a bond issue to reimburse the loan pool
[KFDA Bond Issue Note]
The SGF would need to subsidize the interest rate difference between the bond rate vs. the loan rates
UNIVERSITY
Draws on loan proceeds to complete deferred maintenance projects
KBOR
Loan Repayments are received from the Universities and used to pay back the total loan pool balance drawn from PMIB
Loan Repayments to KBOR
Principal & Interest payments from University paid back to KBOR by establishing a pledge of revenues between the university and KBOR
Loan principal & interest are repaid to PMIB or KDFA
Page 3-C-1 Version 1
University Infrastructure Finance Program

Overview – Program Element #4

Mandate all future buildings constructed with donations or other funds not appropriated by the Legislature be maintained by the Regents. This will prevent future maintenance backlogs by encouraging the Regents to take the cost of maintenance into account when constructing new buildings. Maintenance of existing buildings and buildings constructed using money appropriated by the state would continue to be the responsibility of the state government.

Key Elements

Fiscal Planning/Responsibility	KBOR mandatory maintenance budgeting for new buildings and improvements
Energy Conservation/Efficiency	Mandatory for projects > $100,000
Labor	Competitive Wage Requirements

KANSAS BOARD OF REGENTS

1000 SW JACKSON • SUITE 520 • TOPEKA, KS 66612-1368

TELEPHONE – 785-296-3421
FAX – 785-296-0983
www.kansasregents.org

Senate Ways and Means Committee
March 13, 2007

Regarding Senate Bill 369

Reginald L. Robinson, President & CEO

Mr. Chairman and Members of the Committee, I am here on behalf of the Kansas Board of Regents to address Senate Bill 369, legislation that embodies the Governor's plan to address the serious maintenance issues on our state university campuses, and to support the funding the bill would provide.

During my time with you this legislative session:

- I have provided this Committee with a general overview regarding the state university maintenance issues, sharing the documented $727 million backlog of deferred maintenance and discussing the need for a dedicated state revenue stream to address maintenance issues on an ongoing basis.

- I have described the Board's actions to "pare down" the list of buildings from $727 million to $663 million -- those that are more likely to generate consensus support among policymakers.

- With your budget Subcommittee, I have reviewed the Board's development of a specific priority project list ($200 million down payment) that the State's increasingly positive state revenue picture might allow us to address

- And, with this Committee, I have also reviewed the important accountability principles the Board adopted that will help to ensure that future maintenance costs for new privately-financed buildings are addressed and that enhanced space utilization standards are adopted on our campuses.

SB 369 – The Governor's Plan Makes a Meaningful Contribution ($375 million)

SB 369 would enact two separate legislative provisions, which are intended to provide sources of funds for state universities to repair, reconstruct, or rehabilitate buildings and utility systems, and place several new requirements on construction projects undertaken by the Board and state universities.

Senate Ways and Means
3-13-07
Attachment 4

This bill includes three of the four key elements of the *Foundations for the Future* plan proposed by Governor Sebelius on January 31.

1. The University Infrastructure Finance Law is intended to provide funds through the sale of revenue bonds initiated by the Board and issued by the Kansas Development Finance Authority. The aggregate principal of these bonds would not exceed $300 million. Revenue pledged to pay for the bonds would be a new surcharge on all tolls collected by the Kansas Turnpike Authority. The surcharge would begin on July 1, 2008, and would rise incrementally in 2009, 2011, 2012, and 2014 from 5% in 2008 to 25% of aggregate tolls collected in 2014.

   The Board of Regents supports this provision of the bill.

2. The State Board of Regents Infrastructure Maintenance Finance Loan Program Law would provide funds through a low interest loan program. Loans from the Pooled Money Investment Board of up to an aggregate amount of $200 million could be made to the Board of Regents on behalf of state universities, and the interest rate charged on the PMIB loans would be 2% below the market rate. Loans could be paid back to this revolving fund with moneys from appropriations, contributions, or bond proceeds. PMIB is authorized to "put" the loans to KDFA at such times and in such amounts as they may deem necessary or desirable to provide longer term financing or to enhance PMIB liquidity levels. To this end, the Kansas Development Finance Authority would be authorized to issue bonds up to the amounts required to finance the loans. The loan repayment agreements would then be assigned to KDFA to pay debt service on the bonds.

   Although the interest rates are attractive, without a dedicated state revenue source to assist the state universities in paying back such loans, it is difficult for the Board to see how this program will be helpful in reducing the maintenance crisis. However, if the program was broadened to allow state universities to borrow moneys to address other construction projects, the program might be useful for other types of projects in the future after the maintenance backlog has been addressed.

3. SB 369 would also place specific requirements on certain categories of construction projects, regardless of funding source, as follows:

   - <u>A minimum wage</u>: Employees would be paid not less than either the hourly wages and fringe benefits paid to corresponding classes of laborers and mechanics or the federally established minimum wage used for federally funded projects.

   - <u>Energy conservation</u>: Any project that would exceed the cost of $100,000 would have to meet energy conservation standards set by the Kansas Corporation Commission.

   - <u>Provision for future maintenance</u>: Any new construction project that would exceed the cost of $500,000 would require the Board to provide for ongoing maintenance costs in its budget documents for the subsequent fiscal years.

The Board of Regents supports the first two requirements, but we believe the future maintenance provision in New Section 22 should be deleted. As I outlined in my testimony before this Committee on January 24, the Board has already formally adopted policy requiring the state universities to fund annual maintenance and operation costs for future new privately-funded building projects from either gifts or existing university resources and will not seek State funds for that purpose.

Senate Bill 369 does not address the mechanics of freeing up $15 million in debt service funding that was authorized by the 1996 Legislature for the Crumbling Classrooms initiative. The Governor's plan would address this fourth aspect of the *Foundations for the Future* plan by using $75 million in unanticipated revenues produced by our state's growing economy to pay off bonds that are currently being serviced at the cost of $15 million annually. This funding shift would make the full $30 million per year generated by the Educational Building Fund available for ongoing maintenance. This aspect of the Plan could be clarified by adding language that authorizes a general fund transfer to pay the bonds when they would be due.

As the attached table indicates, the Governor's proposed Turnpike surcharge would go a long way towards addressing the maintenance problem that the state universities are facing. It would provide a multi-year stream of dedicated revenue that would address a significant portion of the deferred maintenance backlog. However, the Governor's plan does not address the important issue of future on-going maintenance needs.

Whether the turnpike should serve as the revenue source for helping to address these critically important maintenance problems is a difficult question for us to answer, and it's probably a question that state policymakers, not the Kansas Board of Regents, are most competent to answer. What we wholeheartedly support, however, is the Governor's recognition that some additional state funding stream must be identified to provide the resources necessary to address this critical state infrastructure problem.

Mr. Chairman, that concludes my testimony, but I would be pleased to address any questions you may have.

Deferred and Annual Maintenance Initiative
Impact of Governor's Plan, January 31, 2007

			FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Deferred Maintenance Backlog	**$ 663,000,000**									
Sources of Revenue:										
EBF	$ 30,000,000	3%	$ 30,900,000	$ 31,827,000	$ 31,827,000	$ 32,781,810	$ 32,781,810	$ 33,765,264	$ 34,778,222	$ 35,821,569
University Interest income (5 yr commitment)	$ 8,500,000	3%	$ 8,755,000	$ 9,017,650	$ 9,017,650	$ 9,288,180	$ -	$ -	$ -	$ -
Bonding - Turnpike Fees	$ 50,000,000		$ 50,000,000	$ 50,000,000	$ 50,000,000	$ 50,000,000	$ 50,000,000	$ 50,000,000		
Total	$ 88,500,000		$ 89,655,000	$ 90,844,650	$ 90,844,650	$ 92,069,990	$ 82,781,810	$ 83,765,264	$ 34,778,222	$ 35,821,569
Difference- Deferred Maintenance			**$ 573,345,000**	**$ 482,500,350**	**$ 391,655,700**	**$ 299,585,711**	**$ 216,803,901**	**$ 133,038,636**	**$ 98,260,414**	**$ 62,438,845**
Annual Maintenance Growth	**$ 84,000,000**	3%	$ 86,520,000	$ 89,115,600	$ 89,115,600	$ 91,789,068	$ 91,789,068	$ 94,542,740	$ 97,379,022	$ 100,300,393
Sources of Revenue:										
State University Operating Budgets	$ 38,000,000	3%	$ 39,140,000	$ 40,314,200	$ 40,314,200	$ 41,523,626	$ 41,523,626	$ 42,769,335	$ 44,052,415	$ 45,373,987
Difference- Annual Maintenance			**$ 47,380,000**	**$ 96,181,400**	**$ 144,982,800**	**$ 195,248,242**	**$ 245,513,684**	**$ 297,287,089**	**$ 350,613,697**	**$ 405,540,102**
Deferred and Annual Maintence Balance			**$ 620,725,000**	**$ 578,681,750**	**$ 536,638,500**	**$ 494,833,953**	**$ 462,317,585**	**$ 430,325,725**	**$ 448,874,111**	**$ 467,978,947**

Notes:
1. Assumes 3% annual increase in EBF and University Interest Income and 3% annual increase in annual maintenance growth
2. Deferred maintenance backlog based on the Fall, 2006 study was $727.0 million. The Board "pared" the list of buildings to those at the academic core for purposes of requesting funding from the Legislature.
3. Governor's plan also calls for making $200.0 million in low-interest revolving loans available from the PMIB. This part of the Governor's plan is not included in the figures above.

SENATE COMMITTEE ON WAYS AND MEANS
CONCERNING SB 369

Michael L. Johnston
President/CEO
Kansas Turnpike Authority

March 13, 2007

Thank you Mr. Chairman for the opportunity to offer comments about SB 369.

I am appearing here today to register our strong and unequivocal opposition to Sections 1 through 6 of this measure. The remaining sections of the bill are not applicable to the Kansas Turnpike so I offer no comments concerning those provisions. SB 369 would require multiple toll increases and the diversion of revenue from those toll increases to service debt issued by the state, the proceeds of which would be used for repairs at our Regents institutions. Our position is very simple and clear----user fee revenue from Turnpike customers should remain with the Turnpike and be used exclusively for the operation and maintenance of the Turnpike for the benefit of those customers. That user fee concept and exclusive use test was deliberately made part of the Turnpike enabling act in 1953. That principle has served this state and Turnpike customers well for now over 50 years. While we certainly acknowledge the serious maintenance problems SB 369 was designed to address, we don't believe Turnpike customers should be asked to pay part of the cost of those repairs.

Beyond our strong philosophical objections to our customers being asked to pay for anything unrelated to the Turnpike itself, SB 369 creates very real problems for the Turnpike's future. Since the Turnpike's current debt must be defeased before the state can lawfully load more debt to its burden, that defeasance must be done by a date certain, done on a partially taxable basis, and done without regard to market conditions---hardly a recipe for lower costs. Moreover, since SB 369 effectively more than doubles the Turnpike debt service obligation, it will certainly raise the cost and could threaten the availability of capital the Turnpike will need in the future. In addition, the 25% of total toll revenue that SB 369 requires to be remitted to the state in 2014 and beyond will be well in excess of the revenue necessary to service the $300M in debt that is provided in the measure. Worse yet, under the provisions of the bill, the payments to the state from the Turnpike go on forever and don't stop when the $300M debt is repaid.

Finally, our traffic engineering consultant, Vollmer Associates LLC, estimates that toll increases provided in SB 369, together with planned Turnpike increases, will result in total Turnpike traffic declining from 32,598,000 in 2006 to 31,486,000 in 2014, the year the final toll increase under the bill would be implemented. Put another way, compounded toll increases from 2007-2014 of 48% are estimated to produce only 30% in increased revenue---a very inefficient arrangement. Make no mistake, passing SB 369 would be a very negative and ominous addition to the Turnpike's future.

Thank you for your attention. We respectfully request that Sections 1 through 6 or SB 369 be stricken.

Senate Ways and Means
3-13-07
Attachment 5

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Kansas Motor Carriers Association

Trucking Solutions Since 1936

Legislative Testimony

Presented by the Kansas Motor Carriers Association
Before the Senate Ways and Means Committee
Senator Dwayne Umbarger, Chairman
Tuesday, March 13, 2007

MR. CHAIRMAN AND MEMBERS OF THE SENATE WAYS AND MEANS COMMITTEE:

I am Tom Whitaker, executive director of the Kansas Motor Carriers Association. I appear here this morning representing our 1,200 member-firms in strong opposition to Senate Bill No. 369. The bill provides multiple toll increases designed apparently to pay to the state $300 million to address the state's universities maintenance crisis. As we understand this legislation, however, the payments to the state from the surcharge on tolls do not end when the $300 million is repaid.

SB 369 is an out-and-out diversion of highway dollars to pay for a problem that is not the responsibility of highway users. Trucks choosing to operate on the turnpike pay much higher tolls than other vehicles and <u>all</u> trucks, whether in-state or out-of-state, pay Kansas vehicle registration fees and fuel taxes to the state highway fund. The Kansas Turnpike Authority receives none of the registration fees, fuel tax, or state or federal highway tax dollars generated by the trucking industry.

According to the Kansas Turnpike Authority's 2005 annual report, trucking represents only 13.4% of the traffic, yet pays 39.8% of the tolls received by KTA. SB 369 would place a disproportionate share of responsibility for funding the proposed legislation on the already cash-strapped trucking industry.

Trucks are like water. If you place an obstacle in their path (high tolls) they will find a way around that obstacle and use other state highways to move our nation's freight. Movement of freight is a business decision. Trucks will follow the least expensive and most efficient route to move from point "a" to point "b". Tolls that are too high will divert traffic off the turnpike, thus reducing revenue.

Mr. Chairman, the maintenance crisis for the state's universities in not the highway users problem, it is a statewide problem that should be addressed by a statewide solution. The Kansas Motor Carriers Association strongly opposes Senate Bill No. 369 and respectfully requests that the Committee find another solution to the maintenance situation at our state's universities.

We thank you for the opportunity to appear before you today. I would be pleased to respond to any questions you may have.

PO Box 1673 • Topeka, KS 66601-1673 • 2900 SW Topeka Blvd. • Topeka, KS 66611
(785) 267-1641 • Fax: (785) 266-6551 • www.kmca.org

Senate Ways and Means
3-13-07
Attachment 6

700 SW JACKSON ■ SUITE #206 ■ TOPEKA, KANSAS 66603
(785) 235-0220 ■ FAX (785) 233-5440

To: Senate Ways and Means Committee

From : Pat Hurley
Economic Lifelines

Re: SB 369

Mister Chairman and members of the Senate Ways and Means Committee :

I am Pat Hurley and am appearing on behalf of Economic Lifelines in opposition to portions of SB 369.

As you know Economic Lifelines is a coalition of transportation , business, and community groups and organizations whose purpose is the support of programs to meet the transportation needs of the state. We have more than thirty state organizations, trade associations, community groups, and local communities that comprise our Board of Directors and I am the executive director.

Economic Lifelines and its supporters throughout the state have been instrumental in providing the support for the passage of both the 1989 and 1999 ten year Transportation Programs.

As such, one of the fundamental principles on which our members have always strongly agreed is that transportation related or generated revenues should be used exclusively for transportation purposes.

It is for this reason that we testify here today on SB 369. We do not appear in opposition to the need for additional funding for deferred maintenance at the Regents Institutions. Nor do we take any position on the other revenue sources contained in SB 369 with the exception of the proposal to increase tolls on the Kansas Turnpike for five years and transfer those revenues to a University Infrastructure Finance Fund.

We oppose that component of the bill as we believe it would be clearly contrary to the principle of the Economic Lifelines Board that any transportation related revenue generated from specific transportation related fees, taxes, or tolls should be dedicated and expended solely for transportation purposes.

The 1999 Comprehensive Transportation Program, approved by over 70% of both houses of the legislature is approaching its completion. We can tell you that there is tremendous community support across the state , as well as expressed by many legislators, for the enactment of a new transportation program when the current one ends.

The single major issue in any new program, as in past programs , is how to provide the necessary revenue to fund it. There has already been considerable discussion about both traditional sources and new innovative sources being considered in other states including tolling certain roads.

Senate Ways and Means
3-13-07
Attachment 7

For these reasons based on our long held position about the use of transportation generated funds exclusively for transportation purposes, Economic Lifelines respectfully opposes the inclusion of such a provision in SB 369 or any legislation which may be considered by the legislature for dealing with the deferred maintenance at the Regents Institutions.

I would be happy to respond to any questions the committee may have.

THE KANSAS CONTRACTORS ASSOCIATION, INC.

KANSAS CONTRACTORS ASSOCIATION

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316 SW 33RD ST • PO BOX 5061
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FAX (785) 266-6191
kca@ink.org
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Testimony

By the Kansas Contractors Association

before the Senate Ways and Means Committee

on SB 369

March 13, 2007

Mr. Chairman and members of the Committee, I am Bob Totten, Public Affairs Director for the Kansas Contractors Association. Our organization **represents over 300 companies** who are involved in the construction of highways and water treatment facilities in Kansas and the Midwest.

Today, I want to address our organization's concerns and present position regarding the use of Kansas Turnpike tolls for the maintenance of classrooms at regent institutions.

Our organization embraces the philosophy that user fees should pay for our transportation program. With that said, our present program uses gas taxes, registration fees and a portion of our sales tax attributed to motor vehicles as part of the base for our highway program.

Senate Ways and Means
3-13-07
Attachment 8

We believe the same should occur when it comes to our universities. Universities should come up with their own solution for their maintenance concerns. They have been aware of the problem for several years and then to suggest or have someone else suggest that toll roads be part of the solution seems ways out of bounds to our organization.

Senator Anthony Hensley said one of the buildings listed as needing repair was Allen FieldHouse. Initially it apparently was at the top of the list because the items were listed in alphabetical order. I was surprised about that comment thinking that the field house had already received some substantial maintenance in the recent past. I also thought when I buy tickets to a basketball game, I would have assumed that the athletic director Lew Perkins would have taken portion of that ticket for the maintenance of the fieldhouse.

I can bring up other issues but I don't think they would serve much of a purpose more than saying, our organization believes the regent institutions should find money in their budget to pay for their maintenance and leave the tolls out of the equation.

I will be glad to answer your questions at your convenience.

AIA Kansas
A Chapter of The American Institute of Architects

March 13, 2007

TO: Senate Ways and Means Committee

FROM: Trudy Aron, Executive Director

RE: Support for SB 369 and SB 377

Good Morning Chairman Umbarger and Members of the Committee, I am Trudy Aron, Executive of the American Institute of Architects in Kansas (AIA Kansas.) I submit this written testimony in support funding of infrastructure repair for our Regent Institutions.

AIA Kansas is a statewide association of architects and intern architects. Most of our 700 members work in over 120 private practice architectural firms designing a variety of project types for both public and private clients. The rest of our members work in industry, government and education where many manage the facilities of their employers and hire private practice firms to design new buildings and to renovate or remodel existing buildings.

AIA Kansas members have first-hand knowledge that many of our Regents Institution facilities are in deplorable condition. We spend millions of dollars building new buildings but because we do not allocate adequate funding to maintain, repair and update existing buildings, they are deteriorating. Currently, the Regents alone, not to mention other State-owned buildings, require maintenance and repairs exceeding $700 million. Every day the repairs are left undone, the cost of the maintenance and repairs is escalating. Many maintenance and repair items are also causing safety issues. Masonry systems are in poor repair, roofing systems are leaking, outdated electrical and mechanical systems waste energy, plumbing components have patches on the patches, and poor lighting not only wastes energy but it lowers learning potential. And the list goes on and on.

AIA Kansas has not taken a position on how these repairs are funded. We believe the funding mechanism is something the legislature must decide. However, it is critical to undertake the maintenance of these buildings now as the cost only continues to escalate

Thank you for allowing me to provide our support on these bills.

700 SW Jackson, Suite 503
Topeka, Kansas 66603-3758
Telephone: 785-357-5308
800-444-9853
Facsimile: 785-357-6450

Senate Ways and Means
3-13-07
Attachment 9