

MINUTES OF THE SENATE TRANSPORTATION COMMITTEE

The meeting was called to order by Chairman Dwayne Umbarger at 8:30 a.m. on February 3, 2009, in Room 136-N of the Capitol.

All members were present except:

Senator Anthony Hensley- excused

Committee staff present:

Mike Corrigan, Office of the Revisor of Statutes
Hank Avila, Kansas Legislative Research Department
Jill Shelley, Kansas Legislative Research Department
Cindy Shepard, Committee Assistant

Conferees appearing before the committee:

Joe Erskin, Deputy of Finance Administration, Kansas Department of Transportation
Kyle Schneweis, Chief, Office of Governmental Affairs, Kansas Department of Transportation

Others attending:

See attached list.

Overview on 1989 and 1999 Comprehensive Transportation Plans

Hank Avila, Kansas Legislative Research Department, discussed selected contributing factors for the 1989 and 1999 comprehensive plans (Attachment 1). Mike Corrigan, Office of the Revisor of Statutes, presented information to the committee on legislative intent, transportation agencies, Comprehensive Transportation Program (CTP), CTP financing and cashflow. In addition, copies of the 1989 and 1999 Summary of Legislation, transportation sections, were distributed (Attachment 2).

Joe Erskin, appearing on behalf of the Kansas Department of Transportation, presented to the committee a CTP Historical Funding Summary (Attachment 3).

Kyle Schneweis, representing the Kansas Department of Transportation, provided the committee an overview of their system for project selections (Attachment 4).

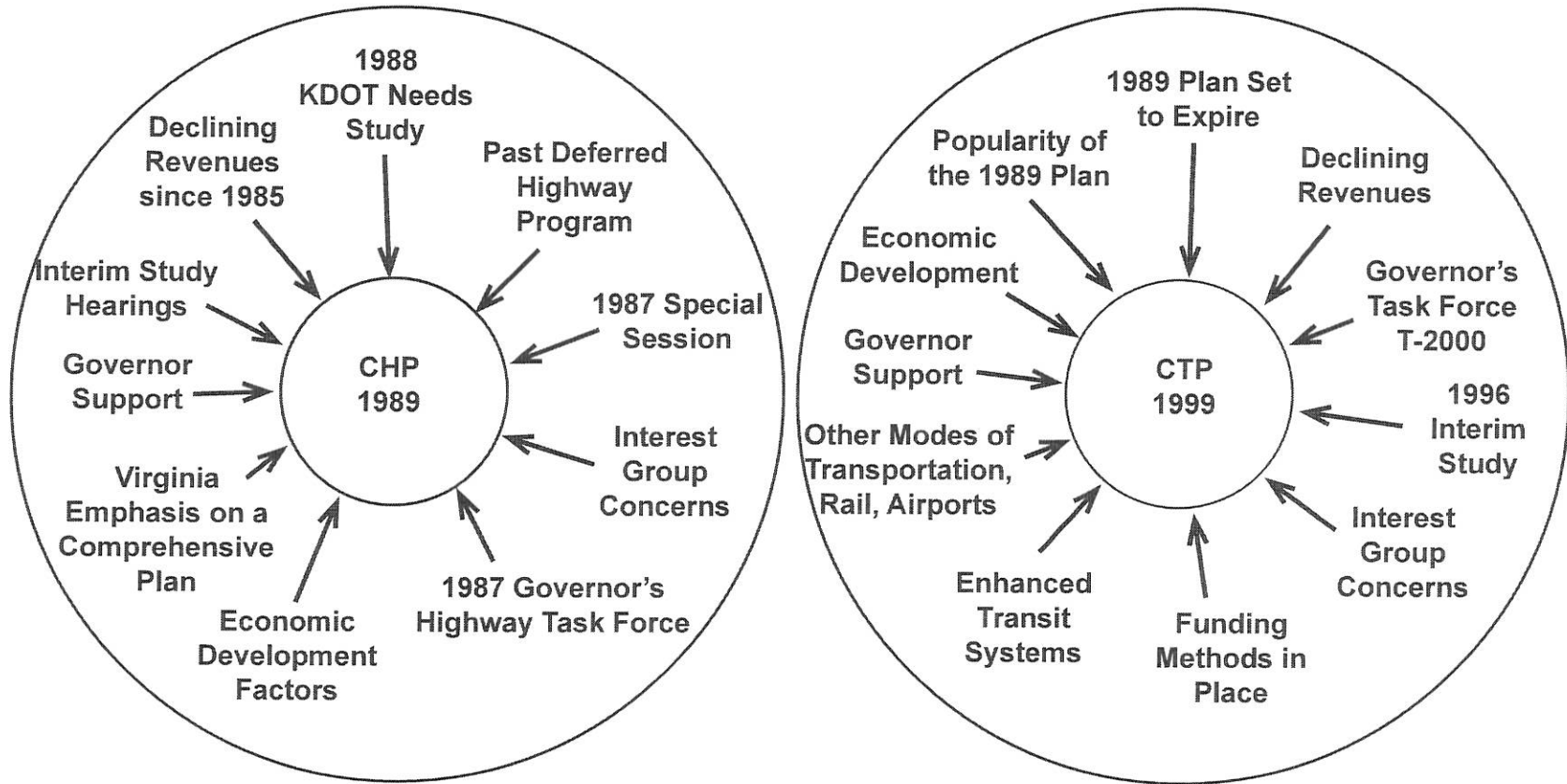
The meeting was adjourned at 9:24 a.m. The next meeting is scheduled for February 4, 2009.

SENATE TRANSPORTATION COMMITTEE GUEST LIST

DATE: 2/3/09

NAME	REPRESENTING
Warena Mead	JEDS
Maisy Thompson	JEDS
Derek Kern	Herr Law Firm
ARTHUR BAGYANTS	KDOT
Woody Moses	KAPA
Wendy Harris	KPMCA
CARRY R BAER	LICM
Whitney James	KS Automobile Dealer Assn
Tom PALACE	PMCA OF KS
JOSH SMITH	Sen. Pyle, Intern
TRAVIS LOWE	Pinegar Smith Assoc.
Kent Eckles	KS Chamber of Commerce
KEVIN DIBOVO	LGR
Ron Secher	KARA
KEVIN GREGG	KMCA
Scott Heidner	ACEC of Kansas
John Petersen	Cystal Stutzgen
Spencer Duncan	Capitol connection LLC

1989 Comprehensive Highway Plan & 1999 Comprehensive Transportation Plan Selected Contributing Factors for a Comprehensive Plan



68-2314a. Comprehensive transportation program; intent of legislature; projects; programs. (a) In order to plan, develop and operate or coordinate the development and operation of the various modes and systems of transportation within the state, the secretary of transportation is hereby authorized and directed to initiate a comprehensive transportation program.

(b) The comprehensive transportation program shall provide for the construction, improvement, reconstruction and maintenance of the state highway system. These expenditures may include but not be limited to the following:

(1) Maintenance programs to efficiently maintain a safe state highway system in its original or improved condition. It is the intent of the legislature that the surface condition of the state highway system and its bridges, as measured by the Kansas department of transportation pavement and bridge management systems, shall be maintained or improved;

(2) construction and reconstruction programs to develop, to the extent practical, the state highway system including major modification projects to improve service, comfort, capacity, condition, economy or safety of the existing system and priority bridge projects to replace or rehabilitate bridges that have a deteriorated condition or that have deficiencies in load carrying capacity, width or traffic service;

(3) system enhancement projects which include additions to the system of highways or which substantially improve safety, relieve congestion, improve access or enhance economic development. It is the intent of the legislature that, as nearly as possible, the amount of \$1,050,000,000 shall be expended or committed to be expended for system enhancements for the period beginning July 1, 1999, through June 30, 2009. The Kansas department of transportation shall utilize the selection methodology developed by the department, to select system enhancement projects;

(4) a highway demonstration project for the purpose of demonstrating advanced and innovative pavement technologies which may include financing, design, construction and performance guarantee. The secretary is authorized to procure such demonstration project in the same manner as engineering services are procured under K.S.A. 75-5801, *et seq.*, and amendments thereto, and such demonstration project need not comply with the provisions of K.S.A. 68-410 or 75-430a, and amendments thereto, or any other applicable statute to the procurement of state highway construction contracts.

(c) The comprehensive transportation program shall provide for assistance, including credit and credit enhancements, to cities and counties in meeting their responsibilities for the construction, improvement, reconstruction and maintenance of the roads and bridges not on the state highway system. These expenditures may include but not be limited to the following:

(1) Apportionment of the special city and county highway fund to assist cities and counties with their responsibilities for roads and bridges not on the state highway system;

(2) programs to share federal aid with cities and counties to assist with their responsibilities for roads and bridges not on the state highway system;

(3) programs to assist cities with the maintenance of city connecting links as specified in K.S.A. 68-416, and amendments thereto, and local partnership programs to resurface or geometrically improve city connecting links or to promote economic development; or

(4) programs to assist cities and counties with railroad crossings of roads not on the state highway system.

(d) The comprehensive transportation program shall provide for a railroad program to provide assistance in accordance with K.S.A. 75-5040 through 75-5050, and amendments thereto, for the preservation and revitalization of rail service in the state.

(e) The comprehensive transportation program shall provide for an aviation program to provide assistance for the planning, constructing, reconstructing or rehabilitating the facilities of public use general aviation airports, in accordance with K.S.A. 75-5061, and amendments thereto.

(f) The comprehensive transportation program shall provide for public transit programs to aid elderly persons, persons with disabilities and the general public, in accordance with K.S.A. 75-5032 through 75-5038, and amendments thereto, and K.S.A. 75-5051 through 75-5058, and amendments thereto.

History: L. 1999, ch. 137, § 1; July 1.

Transportation Agencies

Department of Transportation

FY 2009. The Governor recommends \$1,497,105,234 in expenditures for FY 2009. This amount is approximately \$103.1 million less than the agency's FY 2009 approved budget from a year ago. The decrease in expenditures can be attributed mainly to the delay of three projects in the Comprehensive Transportation Program (CTP). The Governor's revised estimate of expenditures for FY 2009 decreases the operating budget from the State Highway Fund by \$7.3 million, or approximately 2.6 percent. The Governor's recommendation also includes a reduction of \$10.1 million in expenditures from the Special City County Highway Fund to reflect the reduction in revenues to this fund from not making the State General Fund transfer.

For FY 2009, the Governor recommends 3,113.50 FTE positions. This represents a reduction of 37.00 FTE positions. The agency is reducing its workforce as the CTP enters its final years.

FY 2010. The Governor recommends expenditures of \$1,241,456,758 for FY 2010 and 3,113.50 FTE positions. This total represents a reduction of \$255.6 million when compared to the revised FY 2009 estimates. The majority of the decrease (\$248.7 million) is found in capital improvement expenditures, as the CTP activities wind down and the agency focuses on preservation and maintenance of the state highway system. The Governor's recommendation includes transferring \$35,106,115 from the State Highway Fund to the State General Fund for operation of the Highway Patrol, as has been done in recent years.

The recommended budget includes expenditures for improvements to the agency's own buildings of approximately \$5.6 million. Projects in the program include rehabilitation and repair, replacement of deteriorating roofs on existing buildings, construction of equipment storage sheds to protect equipment, and miscellaneous renovation and construction projects.

The status of the highway system continues to show that the Department of Transportation maintains a safe

and convenient system. The Department estimates that 80.0 percent of non-interstate highway miles will be rated as having a "good" or "acceptable" surface condition in FY 2010. In addition, the Department will maintain bridges so that 90.0 percent of all bridges meet traffic demands and will be rated as structurally sound.

In a study released in July 2008, the Kansas Department of Transportation was recognized as maintaining the fifth-best state-owned road and highway system in the nation, according to a California research foundation. The Reason Foundation recognized KDOT following a study that measured the performance of state-owned roads and highways in 12 different categories. Kansas was ranked first in the national study in two categories – rural interstates and urban interstates with miles in poor condition. Kansas has no miles in either category that rated as poor. The 2008 report was the second year in a row that Kansas was rated in the top five nationally.

Comprehensive Transportation Program

The 1999 Legislature enacted the ten-year Comprehensive Transportation Program to plan, develop, and operate the various modes of transportation in Kansas. The plan provides funding to preserve, modernize, and enhance the existing Kansas highway system and provides increased support for local roads, airports, railroads, and public transportation. FY 2009 marks the end of the CTP. As originally passed, the CTP would have provided \$12.8 billion in improvements. Because of financial difficulties the state is currently facing, three projects (K-61, US-50, and US-169) have been delayed. All other identified improvements are scheduled to be let by the end of FY 2009.

Governor Sebelius created the Transportation-Leveraging Investments in Kansas (T-LINK) Task Force to begin looking at the transportation needs of Kansas after the CTP concludes in FY 2009. T-LINK

is charged with developing a set of recommendations for a new strategic transportation approach. The Governor requested that the recommendations be developed based on a commitment to keeping roads and bridges safe and in good repair; a collaborative project selection process that aligns transportation investments with the state's economic priorities; and a new approach that reflects today's fiscal realities, but also creates a framework to prepare Kansas for the future.

Project Categories

The CTP continues to make use of the same four categories of improvement that were used during the original Comprehensive Transportation Program that ended in FY 1998:

Regular Maintenance activities are designed to preserve, repair and restore the roadway system to accepted standards. These activities are typically performed by the Department's workforce.

Substantial Maintenance projects protect the public's investment in the state highway system by undertaking improvements that preserve the original condition for as long as possible. These projects are typically let out to contract.

Major Modifications-Priority Bridge projects improve the safety and service of the existing system. Projects include reconstruction or rehabilitation of pavement, widening traffic lanes, adding or widening shoulders, and eliminating steep hills or sharp curves. Priority bridge projects replace or rehabilitate substandard bridges on the system.

System Enhancement projects include additions to the state highway system or projects which substan-

tially improve safety, relieve traffic congestion, improve access, or enhance the state's economic development.

CTP Financing

Transfers. When the CTP started, one of its main sources of funding was an annual transfer from the State General Fund to the State Highway Fund based on a percentage of the state sales tax as established by statute. However, difficult financial times for the State General Fund a few years ago forced the transfers to be reduced and eventually eliminated altogether. In FY 2002, the transfer was initially in the amount of \$94.2 million. However, because the State General Fund could not actually afford to make the transfer at that time, the 2002 Legislature transferred \$94.6 million, \$400,000 more than the original transfer, back to the State General Fund. The intent was to repay the State Highway Fund by the end of FY 2003. At the end of FY 2003, however, the amount was not repaid, because the conditions of the State General Fund had not sufficiently improved. Because of continuing financial difficulties, the scheduled FY 2003 and FY 2004 transfers were not made at all. The 2004 Legislature eliminated future transfers entirely as part of a larger restructuring of the CTP. As a result, a new repayment schedule was put into place, and payments were made in FY 2007 and FY 2008. However, the state is once again presented with financial problems, and the Governor recommends that the remaining payments be cancelled.

Bonding. With the loss of the transfers in prior years, measures had to be taken during that time to complete the CTP without State General Fund support. Therefore, the 2001 Legislature granted additional bonding authority of \$277.0 million and increased motor fuel taxes to pay off the bonds.

The 2004 Legislature authorized the issuance of an additional \$150.0 million in bonds to finance the CTP. The 2004 Legislature also approved up to \$60.0 million in bonds but only if needed to offset potential shortfalls in anticipated federal receipts. That made the total potential bonding authority \$210.0 million during that year. Ultimately, the Department needed the full amount; therefore, the State Finance Council authorized the issuance of this entire \$210.0 million in bonds in January 2006.

Transportation Program Construction Costs <i>(Dollars in Thousands)</i>		
	<u>FY 2009</u>	<u>FY 2010</u>
Routine Maintenance	\$140,760	\$140,235
Substantial Maintenance	192,410	189,518
Major Mods.-Priority Bridge	447,641	287,243
System Enhancements	165,359	61,903
Total	\$946,170	\$678,899

For FY 2009, the Governor recommends \$16,148,175 to cover the scheduled debt service payments for these bonds, of which \$9,138,175 is interest and \$7,010,000 is principal. In FY 2010, the Governor recommends \$8,848,975 from the State General Fund to cover the scheduled debt service interest payment. These payments are reflected in the Department of Administration's budget.

Sales Tax. The 2004 Legislature also granted KDOT a greater portion of the dedicated state sales tax to help with CTP financing. Rather than depositing all state sales tax in the State General Fund, KDOT's portion is netted out and directed to the State Highway Fund. In FY 2007, this portion of the tax went from .25 percent

to .38 percent, and it increased further in FY 2008 to .65 percent. KDOT's increased portion of the sales tax rate is estimated to be approximately \$170.0 million in both FY 2009 and FY 2010.

Transportation Program Cashflow

The Transportation Program cashflow reflects the financing changes that have been made in previous years, and it reflects both the financing and project delays discussed above for FY 2009. The Governor's recommendations for FY 2009 and FY 2010 are projected to leave the CTP with a positive ending balance in FY 2010. The table on the next page highlights this fact.

Transportation Program Cashflow

(Dollars in Thousands)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Beginning Balance	826,877	718,181	645,367	714,065	647,203	516,817	599,584	376,331
Revenues:								
SGF Sales Tax Transfer	--	--	--	--	--	--	--	--
All Other Receipts	1,118,580	1,027,667	1,117,171	1,151,324	1,310,881	1,488,883	1,332,498	1,303,801
Subtotal	\$ 1,118,580	\$ 1,027,667	\$ 1,117,171	\$ 1,151,324	\$ 1,310,881	\$ 1,488,883	\$ 1,332,498	\$ 1,303,801
Net from Bond Sales	2,043	258,770	347,000	--	--	870	--	--
SGF-Backed Bond Revenues	--	--	--	210,000	--	--	--	--
Net TRF Loan Transactions	--	--	(15,000)	15,000	(10,000)	(10,000)	--	(5,000)
Total Receipts	\$ 1,120,623	\$ 1,286,437	\$ 1,449,171	\$ 1,376,324	\$ 1,300,881	\$ 1,479,753	\$ 1,332,498	\$ 1,298,801
Available Resources	\$ 1,947,500	\$ 2,004,618	\$ 2,094,538	\$ 2,090,389	\$ 1,948,084	\$ 1,996,570	\$ 1,932,082	\$ 1,675,132
Expenditures:								
Maintenance	245,075	283,796	299,811	314,444	306,168	300,519	315,803	377,178
Construction	475,476	568,402	520,426	542,242	467,085	458,327	613,000	349,146
Modes	21,719	19,515	21,645	23,238	31,869	24,633	38,165	26,301
Local Support	247,989	258,461	276,179	294,813	326,527	318,474	277,121	323,301
Management	53,001	58,600	57,970	56,103	66,799	63,327	72,963	69,765
Transfers Out*	67,548	87,657	97,159	95,836	99,324	101,824	114,293	118,246
Subtotal	\$ 1,110,808	\$ 1,276,431	\$ 1,273,190	\$ 1,326,676	\$ 1,297,772	\$ 1,267,104	\$ 1,431,345	\$ 1,263,937
Debt Service	118,511	82,820	107,283	116,510	133,495	129,882	124,406	171,841
Total Expenditures	\$ 1,229,319	\$ 1,359,251	\$ 1,380,473	\$ 1,443,186	\$ 1,431,267	\$ 1,396,986	\$ 1,555,751	\$ 1,435,778
Ending Balance	718,181	645,367	714,065	647,203	516,817	599,584	376,331	239,354
Minimum Ending Balance Requirement**	132,250	159,577	159,948	180,791	163,575	158,837	195,664	193,461
Available Ending Balance	585,931	485,790	554,117	466,412	353,242	440,747	180,667	45,893

* Transfers Out are shown as expenditures for this cashflow table but are actually revenue transfers.

** Required ending balances reflect:

Amounts required to satisfy debt service on bonds.

Funds allocated by statute for distribution to specific programs.

Amount necessary to provide for orderly payment of bills.

purchase agreements, will not be considered to be used exclusively by the governmental entity for purposes of qualifying for a property tax exemption.

This provision will not apply to property subject to lease on the effective date of the act until the lease expires, and taxes prior to 1989 may not be abated or refunded); (3) humanitarian services property must be owned as well as operated by the not-for-profit corporation; (4) interest will be waived during the pendency of a request for exemption to the Board of Tax Appeals; and (5) the property tax exemption for land and buildings which are owned by 501(c)(3) churches, nonprofit religious societies, or orders and are actually and regularly occupied and used exclusively for residential and religious purposes by a community of persons bound by vows to a religious life and who actually and regularly engage in religious, benevolent, charitable, or educational ministrations or the performance of health care services is made retroactive to tax year 1987.

Property Tax -- Appeals Calendar

H.B. 2535 extends the amount of time taxpayers have to request an informal hearing regarding their new reappraised values from 18 to 21 days after the date their valuation notice was mailed.

The bill also extends from April 1 to May 1 the 1989 deadline for informal hearings and from April 15 to May 15 the 1989 deadline for the county appraiser's final determination regarding any informal hearing. New deadlines of April 1 for informal hearings and April 15 for final determinations are created for 1990 and thereafter. Under prior law, no such deadlines existed for 1990 and thereafter.

TRANSPORTATION

Kansas Turnpike Interchange

S.B. 41 permits the Sedgwick County Commission to contract with the Kansas Turnpike Authority for the purpose of paying to the Authority an amount equal to the cost of constructing an interchange on the Kansas Turnpike in the general vicinity of the turnpike intersection with Highway K-76. Sedgwick County may negotiate with the Kansas Turnpike Authority to

repay to Sedgwick County the cost the county incurred for the bond principal and interest and incidental costs associated with construction of the interchange.

Land Acquisition Conformity

S.B. 236 amends Kansas law in order to assure full compliance with the provisions of the Federal Uniform Assistance Relocation and Real Property Acquisition Policies Act of 1970, as amended.

Federal Aviation Trust Fund

S.C.R. 1612 urges the United States Congress to use the moneys in the federal Aviation Trust Fund for the purposes for which the moneys are collected.

Highway Program from the 1989 Summary of Legislation

H.B. 2014 provides for an enhanced highway program for the state of Kansas. The initiative is viewed as an accelerated eight-year program (FY 1990 through FY 1997), including an eight-year bid letting schedule. The main features of the plan are summarized below:

1. Program Description. A statement of legislative intent indicates that, in order to provide for the construction and reconstruction of a modern and efficient highway system, the Secretary of the Department of Transportation (KDOT) is authorized to initiate a program which includes highway and bridge projects the Secretary selects in accord with the KDOT selection method.

It is the intent of the accelerated building program, as nearly as possible, to address the top 16 percent of existing state highway system needs, as determined by the KDOT prioritization method; to increase priority bridge projects by about 20 percent over the program period; and to expend about \$600 million for enhancement projects.

Additionally, the Secretary is directed to include in the highway program the following:

- a. increase in substantial maintenance to a level which arrests and reverses the decline in road and bridge surface conditions (known as the "adequate" level of maintenance);
 - b. maximum use by the state of available federal highway funds;
 - c. increase of the state partnership with cities and counties, including geometric improvements on city connecting links, city connecting link payments, and economic development projects;
 - d. improvement in transportation programs to aid the elderly and handicapped -- \$390,000 annually (see also H.B. 2099); and
 - e. system enhancement projects which improve safety, relieve congestion, improve access, or enhance economic development.
2. KDOT Reports. The Secretary is required annually to prepare a consolidated report and submit it to the Governor and the Legislature. This report includes: financial status of all funds for the preceding year, detailed explanation of the methods or criteria employed to select construction projects, proposed expenditure and allocation of moneys and the proposed work plan for the current fiscal year and at least the next five years, information concerning construction work completed in the preceding fiscal year and construction work in progress, specific recommendations for proposed statutory changes, and explanation of any material changes from the previous annual report.
3. Expenditures in Each County. During the period July 1, 1989 through June 30, 1997, at least \$2.5 million is required to be expended for highway, bridge, and

substantial maintenance projects in each county of the state from revenue produced under the bill.

4. Prevailing Wage. Employees of contractors or subcontractors on nonfederally aided, state funded highway projects are to be paid at least the prevailing wage determined in accord with wage areas, job classifications, and wage rates under the federal Davis-Bacon Act. KDOT is to administer this provision.
5. Set-Aside for Disadvantaged Businesses. The Secretary may designate state highway construction contracts or portions thereof to be set aside for competitive bids by disadvantaged business enterprises. (The previous law, which included only federally aided highway construction contracts, scheduled to sunset on July 1, 1989, was expanded to include state highway construction contracts and was extended until July 1, 2001.)
6. Reflective Sheeting. Contracts under this program regarding work construction zones must be based on bid specifications which permit the use of Type II, Type IIA, or Type IIIA sign sheeting, as determined by the Secretary of Transportation, in accord with the February, 1988 report of the study conducted for KDOT by Bellomo-McGee, Inc.
7. Competitive Bids. All contracts for construction, reconstruction, and maintenance under the law are subject to the competitive bidding process.
8. Bonding and Investment Authority. The Secretary is authorized to issue bonds, including refunding bonds, for the highway program. However, no such bonds can be issued before July 1, 1991. The total principal amount of such bonds may not exceed \$890 million. The maturity date of such bonds cannot exceed 20 years. The highway bonds do not constitute a debt of the state but are an obligation of the State Highway Fund, they are exempt from state income taxes, they are approved investment instruments for public bodies and financial institutions, and they may be used as pledged securities

by financial institutions seeking the deposit of public funds. Investment of bond proceeds and other revenues to the State Highway Fund are subject to the prudent person rule (except that investment in common stocks is prohibited). The Secretary may recommend investment policies; however, all investments are made by the Pooled Money Investment Board. All interest earnings of the State Highway Fund will be deposited in such fund.

Enabling language permits the Secretary to refund the freeway bonds. Refunding can occur before July 1, 1991. Such refunding bonds are not counted toward the \$890 million cap.

9. Registration and Related Fee Increases. Vehicle registration fees are increased generally as follows: the registration fees for automobiles 4,500 pounds or less are increased from \$13, \$16.25, and \$19.50 to \$25; those over 4,500 pounds are increased from \$26 to \$35; pickup trucks generally are increased from \$25 to \$35; regular trucks are increased in a range of from \$75 to \$100 (12,001 to 16,000 pounds) to from \$1,475 to \$1,925 (80,001 to 85,500 pounds); local and 6,000 mile trucks are increased in a range from \$47 to \$60 (12,001 to 16,000 pounds) to from \$775 to \$1,000 (80,001 to 85,500 pounds); and farm trucks are increased in a range from \$25 to \$35 (farm pickups less than 16,000 pounds) to from \$500 to \$600 (66,001 pounds and over).

Commensurate changes also are made affecting the following: motorized bicycles (\$5 to \$10); motorcycles (\$10 to \$15); certain electrically propelled vehicles (\$6.50 to \$13); license plate fees for vehicles being delivered by the driveaway method (\$39 to \$44 for the first set and \$13 to \$18 for additional sets); trailers (\$10 to \$15 for 8,000 pounds or less, \$15 to \$25 for 8,001 to 12,000 pounds, and \$25 to \$35 for 12,001 pounds and over); 30-day temporary registrations (\$2 to \$3); intrastate 30-day truck operator permits (\$20 to \$26); nonreciprocal 72-hour truck permits (\$20 to \$26); 72-hour truck sales demonstration permits (\$20 to \$26); farm truck 30-day intrastate

permits (\$20 to \$26); initial antique vehicle registration (\$15 to \$40); special interest vehicles and street rods (\$20 to \$26); first dealer license plates (\$250 to \$275) and additional such plates (\$16.25 to \$25.00); and 30-day temporary dealer registration permits (\$2 to \$3).

(H.B. 2177 exempts certain nonhighway mobile homes and trailers from registration.)

10. State Payments for City Connecting Links. The state payment to cities for maintenance of streets and highways designated by the Secretary of Transportation as city connecting links is increased as of January 1, 1990, from \$1,250 to \$2,000 per lane mile.
11. Fuel Tax Increases, Repeal of Fuel Tax Indexation Provision, and Sharing of Fuel Tax Receipts with Local Units. Motor fuel taxes are increased by 7 cents per gallon, as follows: 4 cents per gallon beginning on July 1, 1989; 1 cent per gallon beginning on July 1, 1990; 1 cent per gallon beginning on July 1, 1991; and 1 cent per gallon on July 1, 1992. The following fuel tax rates per gallon will be in effect on July 1, 1992, when the increases contained in the bill are fully phased in: gasoline, 18 cents; special fuels, 20 cents; and LP-gas, 17 cents. Existing provisions of law impose an inventory tax on dealers holding fuels which have been taxed at the prior rate. The alternative LP-gas tax schedules are adjusted commensurately with the per gallon fuel tax increases. Interstate motor fuel trip permits are increased from \$6.50 to \$8.50 on July 1, 1989, to \$9.00 on July 1, 1990, to \$9.50 on July 1, 1991, and to \$10.00 on July 1, 1992.

The fuel tax indexation provision of the prior law is repealed.

Local units retain their allocation of 40.5 percent of fuel taxes through the Special City and County Highway Fund (SCCHF). The distribution formula for revenues produced by the current fuel tax rates is unchanged. Distributions

of revenue produced by the increased rates are based on a three-factor formula -- average daily vehicle miles traveled in the county, motor vehicle registration fees collected in the county, and total road miles in the county. These factors are equally weighted.

- 12. Sales Tax Transfer from State General Fund to State Highway Fund. The sales tax transfer from the State General Fund to the State Highway Fund is increased to 10 percent, beginning with October 1, 1989. The transfer is based on the present 4 percent sales tax rate.
- 13. Sales and Compensating Tax Increase. The present sales and compensating tax (4.0 percent) is increased beginning on July 1, 1989 by 0.25 percent (to 4.25 percent). The proceeds attributable to such increase go to the State Highway Fund.

**HIGHWAY PLAN -- PROPOSED REVENUE AND EXPENDITURE
ENHANCEMENTS FOR FISCAL YEARS 1990-1997**
(In Millions)

	H.B. 2014
REVENUE ENHANCEMENTS	
Motor Fuel Tax	\$ 444 ^b
Registration Fees	227
SGF (Sales Tax Transfer)	223
Retail Sales and Compensating Tax	474
Interest on Funds	65
SUBTOTAL REVENUE ENHANCEMENTS	\$ 1,433
Net from Bond Sales (proceeds and interest)	913
TOTAL ENHANCED REVENUES	\$ 2,346
 EXPENDITURE ENHANCEMENTS	
Offset Shortfall in State Highway Fund and Provide Adequate Ending Balance in FY 1997	\$ 694 ^c
Reconstruction, Improvement, Priority Bridges, and System Enhancements	1,537 ^{d,e}
Elderly and Handicapped	3
City Connecting Links	7
New Debt Service	105
TOTAL ENHANCED EXPENDITURES	2,346

NOTE: The debt service is based on the issuance of \$890 million in 20 year bonds @ 8.25 percent. Debt service beyond 1997 is estimated at \$1.742 billion.

^b Because this table includes only State Highway Fund revenues, the fuel tax distribution to the SCCHF (\$302 million) is not included.

^c Shortfall: \$500 million; ending balance: \$194 million.

^d Additional 3.0 percent for state operations is included in the program.

^e This is the payout cash flow during the period. The payout beyond FY 1997 would be \$325 million.

Accessible Parking for Disabled Persons

H.B. 2035 concerns accessible parking for persons with disabilities. The bill:

- changes the definition of a "person with a disability" to mean any individual who cannot walk 100 feet without stopping to rest or is severely limited in such person's ability to walk at least 100 feet because of an arthritic, neurological, or orthopedic condition (the current walking distance standard is 200 feet);
- requires an identification card issued on and after July 1, 2000, to have the disabled person's date of birth and sex;
- applies the same requirement of displaying the placard currently found in another part of the disabled parking law;
- clarifies that another state's official disability identification device will expire 60 days after the person moves to Kansas;
- allows healing arts licensed practitioners in any state to submit proof of an applicant's disability;
- makes it an unclassified misdemeanor for a person to possess an expired, revoked, or suspended accessible parking identification device;
- limits disability parking in time-restricted zones to 24 hours;
- exempts a motor vehicle operated by or used to transport a disabled person from all parking fees;
- removes the present height requirement for vertically mounted signs bearing the international symbol of access; and
- prohibits blocking a disability parking stall or access aisle.

Comprehensive Transportation Plan

from the 1999 Summary of Legislation

H.B. 2071 enacts a ten-year comprehensive transportation plan for FY 2000 through FY 2009.

- **The bill authorizes the following state highway system program components:**
 - Maintenance, including substantial maintenance;
 - Construction and reconstruction, including major modifications and priority bridges;
 - System enhancements projects of \$1.05 billion; and

- A highway demonstration project to evaluate pavement guarantees by the contractor.
- **The bill provides enhanced assistance to local units of government through:**
 - A formula adjustment in the Special City and County Highway Fund to provide an average increase of \$14.0 million annually in state aid.
 - An increase in city connecting links (KLINK) maintenance state aid from \$2,000 to \$3,000 per lane mile.
 - New assistance for communities with railroad crossings not on the state highway system.
 - A program of credit enhancements for local units through the new Kansas Transportation Revolving Fund.
 - Spending by the Secretary of Transportation of at least \$3.0 million in each county for highway, bridge, and substantial maintenance projects during the program period from July 1, 1999 to June 30, 2009 is required. (The 1989-97 Comprehensive Highway Program guaranteed spending at least \$2.5 million per county.)
- **The bill authorizes new modal elements in the plan:**
 - A new loan program for railroads is established. The bill provides for transfer of \$3.0 million from the State Highway Fund to the Rail Service Improvement Fund on July 1, 1999, and on each July 1 thereafter through 2006.
 - Funding for general aviation airports is authorized. On July 1, 1999, and on each July 1 thereafter, the bill authorizes transfers of \$3.0 million each year from the State Highway Fund to the Public Use General Aviation Airport Development Fund.
 - An enhanced public transit program is established. The transportation program for the elderly and disabled is expanded to include the general public. Funding is increased from \$1.0 million of state assistance to \$6.0 million annually by transfers from the State Highway Fund. Another average of \$5.0 million is estimated from the federal government on an annual basis.
- **Revenue enhancing provisions in the bill:**
 - The Secretary of Transportation is authorized to issue new bonded indebtedness of \$995 million backed by the State Highway Fund. The bonds would be required to mature in not more than 20 years.

- Motor fuels taxes are increased beginning on July 1, 1999. The motor fuels taxes will be raised as follows: \$0.02 on July 1, 1999; \$0.01 on July 1, 2001; and \$0.01 on July 1, 2003. The cumulative increase of \$0.04 continues until July 1, 2020.
- The sales tax demand transfers from the State General Fund to the State Highway Fund are increased by 1.7 percent in FY 2000 and FY 2001. Beginning in FY 2002, the current 7.628 percent statutory figure will be raised to 9.5 percent. That percentage will be increased to 11.0 percent in FY 2003; 11.25 percent in FY 2004; and 12.0 percent in FY 2005 and thereafter.

Transportation Plan FY 2000-2009 Summary
(In Thousands)

Proposed Ten-Year Expenditures^a

Routine Maintenance	\$ 1,226,000
Substantial Maintenance	2,062,000
Major Modification and Bridges	3,312,000
System Enhancements	1,050,000
Aviation	30,000
Public Transit	110,000
Rail	40,000
Special City/County Highway Fund	1,600,000
Local Aid	1,049,000
KLINK Payments	34,000
Management and Other	730,000
Transfers Out	489,000
Debt Service (Existing and New) ^b	1,198,000
Total Expenditures	\$ 12,930,000

- a) Source: KDOT estimates include expenditures on a budget basis for some encumbrances to be paid after FY 2009.
- b) New 20-year bonds will have principal and interest (4.75%) payments averaging \$34.5 million per year over ten years.

Revenue Enhancements (Revised)

Motor Fuels Tax	\$ 615,400
State General Fund Sales Tax Transfer ^a	514,800
Interest on Funds	198,000
Net from Bond Sales	980,000
Total New Revenues	\$ 2,308,200

- a) Does not include \$347 million estimated as available under law prior to enactment of H.B. 2071 for FY 2000 to FY 2009.

Projected Revenues (Revised)

Estimated All Other Funds ^a	\$ 10,315,000
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- a) Includes \$304 million estimated as available under law prior to enactment of H.B. 2071 attributed to SCF sales tax transfer, but excluding revenue enhancements in H.B. 2071.

Comparisons of Estimated Revenue Enhancements for 1989 Highway and 1999 Transportation Programs

(In Millions)

	H.B. 2014 1989 ^a	H.B. 2071 1999 ^b	Difference	Percent
Motor Fuels Tax	\$ 444	\$ 615	\$ 171	38.5%
Registration Fees	227	0	(227)	(100.0)%
SGF (Sales Tax) Transfer ^c	223	515	292	130.9%
0.25% Sales and Use Tax	474	0	(474)	(100.0)%
Interest on Funds	65	171	106	163.1%
Subtotal—Tax and Fees	<u>\$ 1,433</u>	<u>\$ 1,301</u>	<u>\$ (132)</u>	<u>(9.2)%</u>
Net Bonds	\$ 876	\$ 980	\$ 104	11.9%
Bond Generated Interest	36	27	(9)	(25.0)%
Subtotal—Bonds	<u>\$ 912</u>	<u>\$ 1,007</u>	<u>\$ 95</u>	<u>10.4%</u>
Grand Total	<u><u>\$ 2,345</u></u>	<u><u>\$ 2,308</u></u>	<u><u>\$ (37)</u></u>	<u><u>(1.6)%</u></u>
Annual Tax and Fee Average	\$ 179	\$ 130	\$ (49)	(27.4)%
Annual Total Average	293	231	(62)	(21.3)%

- a) **Source:** 1989 Summary of Legislation, Kansas Legislative Research Department. Estimated in 1989 dollars for an eight-year period.
- b) **Source:** Kansas Legislative Research Department. Estimated in 1999 dollars for a ten-year period.
- c) Revised 5/4/99 and estimated as an addition to law prior to enactment of H.B. 2071.

FY 2000 Fiscal Note

The following items are adjustments recommended in conjunction with the 1999 Omnibus Appropriations bill to facilitate implementation of the Governor's proposed Comprehensive Transportation Plan as included in the H.B. 2071. The adjustments included in 1999 H.B. 2489 (the Omnibus bill) are noted below in the first four. The last item is a summary of expenditures from no limit accounts and other adjustments that are not be reflected in the H.B. 2489. However, since these expenditures do have fiscal impact, they are reported.

The Conference Committee on **H.B. 2489** recommended the following items subsequently adopted by the Legislature:

- Increase the number of KDOT approved FTE positions from 3,111.5 to 3,323.5 for a net increase of 108.0 FTE positions in FY 2000 to support the new Comprehensive Transportation Plan. The Governor's recommendation was an increase of 136.0 FTE positions.

- Increase the expenditure limitation for the agency operations account of the state highway fund from \$204,930,379 to \$212,487,075 in FY 2000, a net increase of \$7,556,696 for additional staff and other operating expenses associated with the new Comprehensive Transportation Plan. The Governor's recommendation was an increase of \$9,093,525.
- Add three new funds as no limit line items in FY 2000: Transportation Revolving Fund, Highway Bond Proceeds Fund, and Coordinated Public Transportation Assistance Fund. All three new funds are created in 1999 H.B. 2071.
- Increase the amount of payments for city connecting links account of the state highway fund from \$2,240,000 to no limit in FY 2000 in reflecting higher annual payments under the new Comprehensive Transportation Plan. Payments will total \$3,360,000 annually, or an increase of \$1,120,000 per year.
- Increase the estimate for total KDOT reportable expenditures by \$189,429,857 in FY 2000, including \$7,556,696 for agency operations, \$16,250,000 for design and inspection contracts, \$22,275,161 for local aid, \$119,598,000 for state construction projects, and \$23,750,000 for new debt service associated with issuing \$500,000,000 of bonds next fiscal year. Nonreportable bond expenditures are estimated at \$408,000,000 in FY 2000, with \$150,000,000 for substantial maintenance and \$258,000,000 for state projects. The FY 2000 adjustment in net reportable expenditures is a reduction of \$218,570,143 due to the offset by spending nonreportable bond money.

United States Military Veterans License Plates

H.B. 2094 exempts an owner of a vehicle who applies for the United States Military license plate from the \$40 personalized license plate fee.

Motor Vehicle Registration; Certificates of Title

H.B. 2142:

- increases the service fee paid to county treasurers by an applicant for vehicle registration or identification card or placard from \$2.25 to \$3.00, effective January 1, 2000;
- continues the \$1.00 fee paid on motor vehicle certificates of title that is *dedicated to* the VIPS/CAMA Technology Fund through FY 2002;
- continues the \$2.50 fee paid on motor vehicle certificates of title that is *dedicated to* the Kansas Highway Patrol Motor Vehicle Fund through FY 2004;

CTP Historical Funding Summary

(Unless noted otherwise, amounts in millions)

	As Passed in 1999	As Updated/Amended		
State Motor Fuel Tax Increases				
FY 2000, cents per gallon increase	2	2		
FY 2002, cents per gallon increase	1	1		
FY 2003, cents per gallon increase		2" style="font-size: small;">← Added thru Amendment		
FY 2004, cents per gallon increase	1	1		
Average annual incremental revenue				
State Highway Fund	\$ 46	\$ 70		
Special City & County Highway Fund	\$ 15	\$ 14		
Avg. annual incremental revenue- life of CTP:	\$ 61	\$ 84		
Sales Tax Transfer				
	<u>Statutory</u>	<u>Capped Amt</u>	<u>Statutory</u>	<u>Effective</u>
FY 2000	7.27%	6.20%	7.27%	4.40%
FY 2001	7.27%	6.09%	7.27%	3.59%
FY 2002	9.50%		9.50%	6.48%
FY 2003	11.00%		0.00%	←-Transfer Ended in 2003
FY 2004	11.25%		0.00%	
FY 2005	12.00%		0.00%	
Avg. annual incremental revenue- life of CTP:	\$ 86		(\$70)	
Direct Sales Tax Deposit				
FY 2007, increase from .25 cents to			.38 cents	
FY 2008, increase to			.65 cents	
Resulting avg. annual incremental revenue- life of CTP:			\$ 28	
Funding for KHP (began 2004), avg annual increment			(\$18)	
(Note: Actual annual Transfer is approx. \$30M. \$18M reflects avg annual affect thru life of CTP.)				
Bond Proceeds				
State Highway Fund - new authority	\$ 995		\$ 1,272	
Less: incremental SHF debt service	(\$345)		(\$283)	
State General Fund back bonds	-		\$ 210	
Net	<u>\$ 650</u>		<u>\$ 1,199</u>	
Avg. annual incremental revenue:	\$ 65		\$ 120	
Interest earnings, avg. annual incremental revenue:	\$ 19		\$ 30	
Total Avg Annual Revenue Increases from CTP:	\$ 234		\$ 174	
(Note: Amounts shown on average annual increase basis)				
Total CTP Incremental Revenue- 10 years	\$ 2,310		\$ 1,739	

Notes

- 1) Consumer price inflationary growth over 10 year period 2.6%
- 2) Growth in construction costs over life of CTP 5.3%
- 3) Due to lower than expected incremental revenue generated by CTP, KDOT engaged in a series of cash flow policies to ensure the completion of the CTP projects:
 - (a) Secondary lettings of certain projects will be let in years beyond CTP.
 - (b) Certain funds were shifted from Substantial Maintenance activities into new construction
 - (c) Debt service was restructured resulting in larger debt service payments post-CTP.
 - (d) Reduced amounts allocated to specific activities "set-aside"
 - (e) Reduced the ending balance requirement to pay for open encumbrances at the end of the program

Project Selection Primer

Prepared by KDOT

2/2/09

CTP Project Selection: Large construction projects were picked one of two ways

1. KDOT's Priority Formula - \$2.7 billion in construction costs

KDOT's "Priority Formula," is a computer program that weighs the needs of each section of the state highway system. It uses objective weighting to prioritize sections of highway that have the greatest need. KDOT used it to identify on the "Red Map" in 1999.

Factors measured in the Priority Formula:

Geometrics (hills, curves, shoulders, etc.)

Capacity and truck/traffic volume

Pavement structure and surface

Bridge deck and structure

State route classification

Accident rates (total and fatal)

2. System Enhancement Applications - \$1.0 billion in construction costs

The purpose of the System Enhancement program was twofold, to allow local governments to submit their ideas for projects that weren't on the "Red Map," and to emphasize economic development opportunities. By legislation, the \$1 billion program was split 35% for urban counties and 65% for rural counties, and project applications were to be submitted in one of three categories: corridor improvements, bypass construction, and interchanges. 137 projects were submitted, and 29 were selected using the following scoring:

System Enhancement scoring:

80 possible points based on objective selection criteria similar to the priority formula

20 possible points for economic impact, awarded by a panel of independent experts appointed by Governor

1 bonus point for each percentage of project costs funded by local match (0 to 100 possible)

1 bonus point for each lane-mile removed from the state system (unlimited)

bonus points for any project development underway (varied by category from 18-47 possible)

CTP project selection: some missing components, but a good starting place for the future

Strengths to build on:

- Predictable – 10 years of projects allows everyone to prepare and know what's coming
- Accountable – Keeps KDOT accountable as they build the projects
- Keeps funds "safe" – Harder to cut the program when it's tied to specific projects
- Priority formula is objective and data driven
- System Enhancements created possibilities - everyone might get something

Weaknesses and Emerging Concerns to address:

- Inflexible – the priority formula doesn't anticipate future impacts. Because 10 years of projects were picked all at once, there was no room left for emerging opportunities such as the Gardner Intermodal Facility.
- No link between statewide priorities and transportation investments – These large scale investments should support other statewide and regional initiatives, such as economic and energy priorities.
- Limited measure of economic impact – the priority formula does not consider economic impact and the economic component of the System Enhancements was a subjective analysis. More objective evaluation methods are available today, such as cost/benefit analysis, economic models, etc.
- Limited dialogue with stakeholders – Dialogue during selection was limited to the System Enhancement application process. After selection, if a city or county didn't get a project, there was no reason to talk to KDOT.
- Mega projects don't fit – Some of the current and future needed projects are so expensive (\$400M+) that the traditional project selection methods probably can't adequately address them.