

MINUTES OF THE SENATE TRANSPORTATION COMMITTEE

The meeting was called to order by Chairman Dwayne Umbarger at 8:37 a.m. on January 21, 2010, in Room 152-S of the Capitol.

All members were present except:
Senator Pat Apple- excused

Committee staff present:
Bruce Kinzie, Office of the Revisor of Statutes
Daniel Yoza, Office of the Revisor of Statutes
Julian Efirid, Kansas Legislative Research Department
Jill Shelley, Kansas Legislative Research Department
Cindy Shepard, Committee Assistant

Conferees appearing before the Committee:
Deb Miller, Secretary, Kansas Department of Transportation

Others attending:
See attached list.

Bill Introductions

Senator Huntington requested the introduction of a bill on behalf of County Treasurers, relating to additional locations for vehicle registrations. Senator Huntington moved, Senator Schmidt seconded, to introduce the bill. Motion carried.

The Chairman called attention to the conclusions and recommendations, for a new Comprehensive Transportation Plan, from the Special Committee on Transportation (Attachment 1).

Presentation on "Status of Transportation in Kansas"

Deb Miller, Secretary, Kansas Department of Transportation (KDOT) gave an overview on current status of the department, and information on the previous twenty years of transportation during the 1989 Comprehensive Highway Plan (CHP) and 1999 Comprehensive Transportation Program (CTP). She stated "Kansas has 10,000 miles of state highways, the third most road miles in the nation, and our transportation system is what moves the Kansas economy."

Secretary Miller noted that KDOT has 3,100 employees, of which 2,200 are employed in six districts for road maintenance and construction inspection. The remaining 900 are at headquarters for planning and local projects, road and bridge design, aviation/rail/transit services, signs and speed limits. She also noted that the department had 4,700 employees in 1971.

She continued with reviewing State Highway Fund (SHF) sources and expenditures, how previous plans were funded, economic impact, current budget cuts to the SHF resulting in a 28% loss to agency revenues in 2010, Federal update, and the CHP and CTP programs and projects (Attachment 2). KDOT also provided CTP 2000-2009 total transportation spending maps (Attachment 3).

Questions and discussion followed. Chairman Umbarger requested a comparison of investments made in preservation and new construction 20 years ago to the present, showing the effect of the recent reductions in KDOT's budget.

The meeting was adjourned at 9:33 a.m. The next meeting is scheduled for January 26, 2010.

Special Committee on Transportation

COMPREHENSIVE TRANSPORTATION PLAN

CONCLUSIONS AND RECOMMENDATIONS

The Committee voted to offer two funding scenarios for debate in the Legislature during the 2010 Session. One would reduce the motor fuel tax by 5 cents a gallon but remove the sales tax exemption for motor fuels, beginning January 1, 2013. The other would increase the motor fuel tax by 7 cents a gallon and index future increases. Both scenarios would increase car registration by \$20 and truck registration by \$100, and both assumed approximately \$2 billion in additional bonding.

Proposed Legislation: The Committee voted to include certain programmatic elements into a new bill regarding legislative intent for a new transportation plan. Those elements include authorization for a bonding cap of 18 percent of adjusted KDOT revenues, a Transportation Economic Development Loan (T-EDL) program for use by local governments, removing the 2020 sunset on motor fuel taxes in current law, and removing obstacles to tolling additional highways or lanes.

The Committee also voted to introduce separate legislation to expand eligibility for the short-line rail program to include shippers, local governments, and industrial parks.

BACKGROUND

The Special Committee on Transportation was directed by the Legislative Coordinating Council to study the need and potential financing mechanisms for a new Comprehensive Transportation Plan, review the status of the Comprehensive Transportation Plan enacted in 1999, and examine 2009 SB 323 and 2009 HB 2382, which deal with creating a new comprehensive transportation plan.

COMMITTEE ACTIVITIES

The Committee devoted its first meeting, held September 29, to background on the issue and work completed to date on ideas for a new plan. Officials from the Kansas Department

of Transportation (KDOT) and legislative staff presented information on the following topics:

- History of the 1989 Comprehensive Highway Program (CHP) and the 1999 Comprehensive Transportation Program (CTP);
- Information received from constituents across the state by the 2008 Special Committee on a New Comprehensive Transportation Plan;
- 2009 Senate Bill 323 and 2009 House Bill 2392, which are transportation plan bills;
- Recommendations of the Governor's Transportation - Leveraging Investments in Kansas (T-LINK) Task Force;
- Federal bills to extend or replace the expiring federal transportation plan;

- The gap between funding levels recommended by the T-LINK Task Force and amounts expected from current funding streams;
- Bonding used in financing the CHP and the CTP;
- Fuel taxes in all 50 states;
- Recent enacted bills and other related transportation finance information from all 50 states;
- Kansas' history of sales tax as a transportation funding source;
- Registration fees;
- The gap between the T-LINK recommended program funding and the funding proposal in SB 323; and
- Transportation funding and financing ideas used in or proposed by other states or by national entities studying the issue.

The Committee also heard from representatives of the Northern Flyer Alliance and from a private citizen on the importance of action to advance passenger rail service in Kansas, including applying for federal grants.

A subcommittee was chosen to review options and recommend funding sources for a transportation plan.

At its second meeting, on November 16, the Committee heard an update on KDOT's pilot project selection process. The process varies by project type and whether the project is in a rural or urban area.

The organization Economic Lifelines presented an overview of priorities for a new transportation program and projects identified by city and county officials. The organization

provided each legislator with a notebook containing resolutions that include locally identified priorities in the legislator's district. A representative of the organization TRIP, a national transportation research nonprofit organization, presented findings from its report (released in September 2009) on improvements needed in Kansas transportation systems, safety concerns, funding available to meet transportation needs, and the economic impact of spending on transportation infrastructure.

KDOT officials also reviewed a set of scenarios for funding and financing a new program. Its scenarios included changes in several main variables: programs that would allow new projects to go forward in the first year versus programs that would address only preservation for three years; traditional funding sources (*e.g.*, motor fuel taxes, registration fees, sales tax deposit) versus mixed revenue sources (*e.g.*, indexing motor fuel tax, sales tax on motor fuels); meeting the funding recommendations of the T-LINK Task Force (\$5.8 billion over 10 years) versus partial funding (\$3.5 billion for a traditional program or \$2.7 billion for a program that would address only preservation for the first three years). Officials stressed that many additional types of scenarios were possible. The scenarios assumed federal spending would continue at current levels; at the time of the meeting, the federal program was being extended for short periods until a replacement bill could be determined.

The subcommittee met the days of the second and third meetings of the full Committee.

At the Committee's third meeting, on January 4, 2010, KDOT officials reviewed two scenarios the subcommittee requested be brought to the full Committee to address the gap of approximately \$5.7 billion between revenues from current sources and the amount needed for maintenance and other types of projects identified as necessary by the T-LINK Task Force:

- One scenario would reduce the motor fuel tax by 5 cents a gallon but remove the sales tax exemption for motor fuels, beginning January 1, 2013. It does not apply the sales tax to fuels that currently are exempt from the motor fuel gallon tax, such as off-road diesel. KDOT projected this would raise \$4 billion over ten years, filling about 70 percent of the overall gap but meeting 65 percent of the needs for modernization, expansion, non-highway, and local projects. This scenario would adjust the percentage of revenues into the Special City and County Highway Fund to ensure that the percentage of the gap to be filled would be the same for both KDOT and local governments.
- The other scenario would increase the motor fuel tax by 7 cents a gallon and index future increases to increases in the Consumer Price Index. This was projected to raise \$3.6 billion over 10 years, filling nearly 63 percent of the overall gap but meeting 56 percent of the needs for modernization, expansion, non-highway, and local projects.

Both scenarios would increase car registration by \$20 and truck registration by \$100, and both assumed approximately \$2 billion in bonds would be issued during the program. Increases would be partially implemented in 2013 and fully in 2014. KDOT officials reviewed the revenue effects of each and the gap between the amounts that would be raised and T-LINK-recommended spending on transportation infrastructure.

KDOT officials provided information on bonding strategies to allow KDOT to maintain highways and bridges in their current condition before new revenues would become available under those scenarios. KDOT suggested it be authorized to issue bonds up to 18 percent of adjusted agency revenues (a T-LINK recommendation), to use Build America Bonds (under which the federal government would pay a portion of the interest), and to use flexible

debt management tools (such as 25-year bond terms).

KDOT also provided a funding supplement, with surrounding state comparisons, requested by the subcommittee and a summary of expected reductions to the State Highway Fund in Fiscal Years 2010 and 2011.

KDOT officials also briefly reviewed several programmatic issues, including project selection, the consequences of not fully funding highway preservation, allowing design build bids for highway projects, determining a priority network for local roads, allowing local governments to exchange federal funds for state funds, efficiency efforts in and possible funding changes for transit, expanded eligibility for the short-line railroad loan/grant program, strategic improvements in airports, multimodal economic development projects, and tolling.

A representative of the Kansas Contractors Association testified in opposition to allowing design build bid procurement for highway projects.

The Committee voted to advance both funding scenarios – increasing and indexing the motor fuel tax and removing the current exemption on sales tax on motor fuels – for consideration by the Legislature. The Committee also voted to recommend certain programmatic changes be included in a bill expressing legislative intent for a highway plan and a separate bill to change eligibility for the grant/loan program for short-line railroads.

CONCLUSIONS AND RECOMMENDATIONS

The Committee voted to offer both scenarios heard at the January 4 meeting for debate on financing a new transportation plan.

The Committee voted to include the following elements in a bill otherwise similar to

the legislative intent section (Section 1) of 2009 SB 323 and 2009 HB 2382: authorization for a bonding cap of 18 percent of adjusted KDOT revenues, a 25-year term of debt from the issue date of any bond issue, allowing KDOT to refund bond principle and interest, a Transportation Economic Development Loan (T-EDL) program for use by local governments, removing the 2020 sunset on motor fuel taxes in current law,

and removing obstacles to tolling additional highways or lanes.

The Committee further voted to introduce separate legislation to expand eligibility for the short-line rail program to include shippers, local governments, and industrial parks.



SENATE COMMITTEE ON
TRANSPORTATION

January 21, 2010

Transportation is a means to an end:

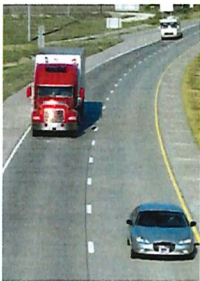
It's about...

enhancing **safety**

supporting **the economy**

creating **jobs**

**Transportation Moves People
and the Kansas Economy**

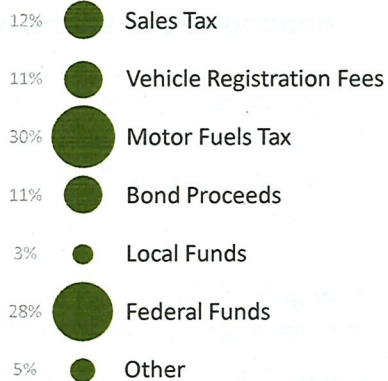


- 10,000 miles of state highways
- 2 million+ registered vehicles
- Nearly 2 million licensed drivers
- \$160 billion+ of goods shipped to, from and within Kansas each year

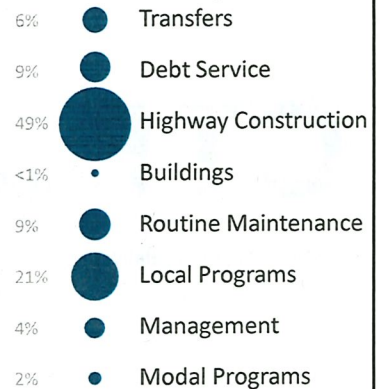
**KDOT's Resources
Strategically Deployed**

- 3,100 employees
- 2,200 employees in 6 districts / 26 areas
Road maintenance and construction inspection
- 900 employees at headquarters
 - Planning and local projects
 - Road and bridge design
 - Aviation, rail, and transit services
 - Signs, access, and speed limits

**State
Highway
Fund
SOURCES
'00-'09**



**State
Highway
Fund
EXPENDITURES
'00-'09**



20 Years of Transportation

- **Comprehensive Highway Program (CHP)**
 - 1989-1997
 - Funded highways and transit
- **Interim Program**
 - 1998-1999
 - Funded highways and transit
- **Comprehensive Transportation Program (CTP)**
 - 2000-2009
 - Funded highways, transit, aviation & rail

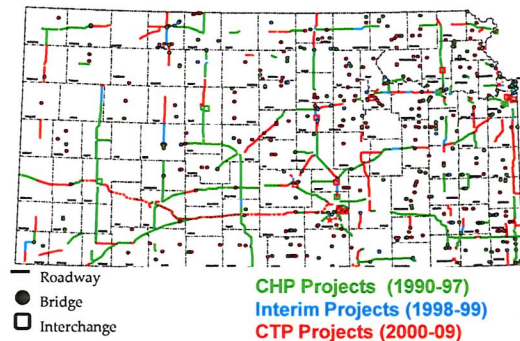
Different Programs for Different Goals

	CHP	CTP
Highways	\$3.1 B	\$5.6 B
Transit	\$8 M	\$52 M
Aviation	--	\$30 M
Rail	--	\$30 M

How they were funded

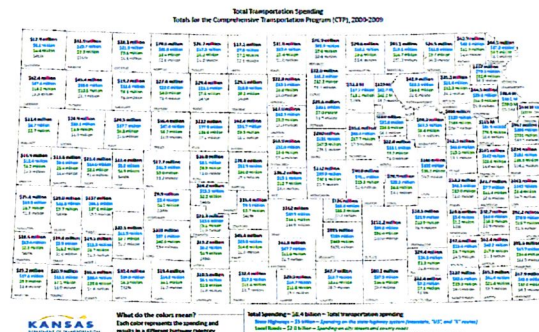
	CHP	CTP as passed	CTP adjusted
MFT	7¢ phased	4¢ phased	6¢ phased
Sales Tax:			
-- Direct Deposit	.25¢	--	.45¢ increase
-- Transfer	10% → 6%	12%	0%
Reg. Fees			
-- cars	50% increase	none	\$5 per
-- trucks	33% increase	none	\$2-10 per
Bonds	\$890 M	\$995 M	\$1.272 B

Highway Projects from 1990-2009

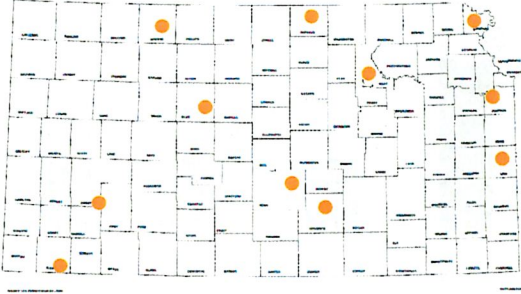


CTP 1999-2009
 KANSAS COMPREHENSIVE TRANSPORTATION PROGRAM
 Planned. Executed. Delivered.

Handouts: CTP Spending Maps



The Impact of Construction



The Impact of Construction

Total payroll of **\$43,421,346**

3,387 people employed

2,467 businesses benefitted

Economic impacts: 5 Case Studies

Project	Project Cost	Jobs Added	Economic Value Added
Parsons - US-400 Bypass	\$27 M	1,400	\$56 M
Wichita - K-96 Bypass	\$103 M	24,000	\$1.6 B
WY County - 110 th St Interchange	\$50 M	5,700	\$186 M
Overland Park - Nall Ave Interchange	\$48 M	17,500	\$4.1 B
Hays - Commerce Pkwy Interchange	\$3.5 M	2,200	\$111 M
TOTAL	\$231 M	50,800	\$6.1 B

2009 Update

KDOT's 2010 budget has been reduced by **\$229 million**

Governor makes sweeping cuts



On Monday, Gov. Mark Parkinson announced cuts he will make to the state spending to bring the Kansas government's budget into balance before the end of its fiscal year.

BY TIM CARPENTER

Updated November 23, 2009 at 11:57am

Cuts to Kansas public schools, highway maintenance and Medicaid reimbursements served Monday as the foundation of Gov. Mark Parkinson's strategy for eliminating a \$260 million deficit in the state government's budget.

Parkinson said he left no sacred cows standing in the quest for a reasonable response to unprecedented declines in state tax revenue that triggered four previous rounds of cuts.

"There is no way to sugarcoat this," the Democratic governor said at the Statehouse. "After this fifth round of budget cutting, there will not be a single

The result is a **28% loss** in agency revenues in 2010

Revenue Losses

	2009	2010	2011
Receipt Losses	-\$24 M	-\$52 M	-\$51 M
CTP Debt Transfer	---	-\$25 M	-\$25 M
Loan Repayment	-\$31 M	-\$31 M	-\$31 M
KHP	---	-\$36 M	-\$36 M
SCCHF Transfer	---	-\$5 M	--
Governor's Budget		-\$80 M	-\$80 M
TOTALS	-\$55 M	-\$229 M	-\$223 M

Construction Spending



Managing Uncertainty

Federal Update

Federal Update

- SAFETEA-LU expired on September 30th and has not been reauthorized
- The Federal Trust Fund is going broke
- Jobs for Main Street would extend SAFETEA-LU and fix the HTF

Managing Uncertainty

KDOT operates on a cash flow basis

Cash Flow Example

A preservation project let and programmed in 2009:

\$10 million

Cash Flow Example

A preservation project let and programmed in 2009:

\$10 million

But the project is paid for as it is completed:

2009	2010	2011
\$6M	\$3M	\$1M

Expansion projects pay out longer

An expansion project let and programmed in 2009:

\$100 million

But the project is paid for as it is completed:

2009	2010	2011	2012
\$15M	\$40M	\$30M	\$15M

What It Means

- Costs are paid out for years after a project is let
- \$2 in cuts are required to save \$1 in a given year's budget
- If revenues fall too far, existing construction contracts could be at risk

The Christmas Storm



Equipment	\$1,100,000
Labor	\$600,000
Materials	\$700,000
Total	\$2.4 million

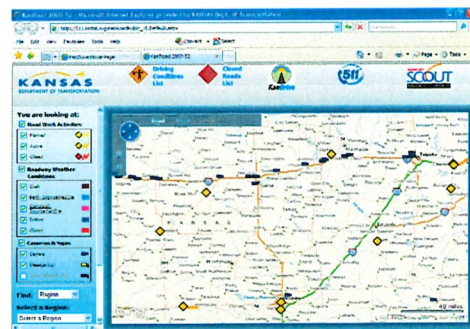
Testimonials

"My Missouri hat is off to Kansas DOT for the road information web site and keeping your roads clear"

"Thanks to you and your employees for helping make our holidays safe."

"The KTA and KDOT employees deserve a lot of praise for their efforts."

www.kandrive.org



Collaboration in new ways



KANSAS TRANSPORTATION ONLINE COMMUNITY

www.ktoc.net

Strong Foundation



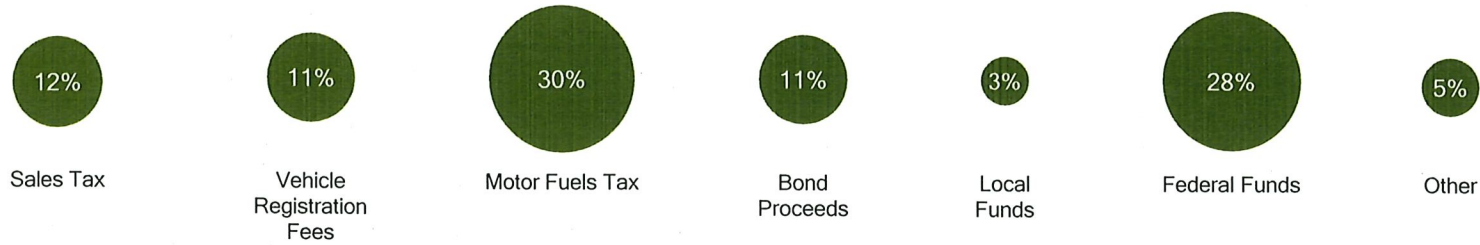
Looking Forward



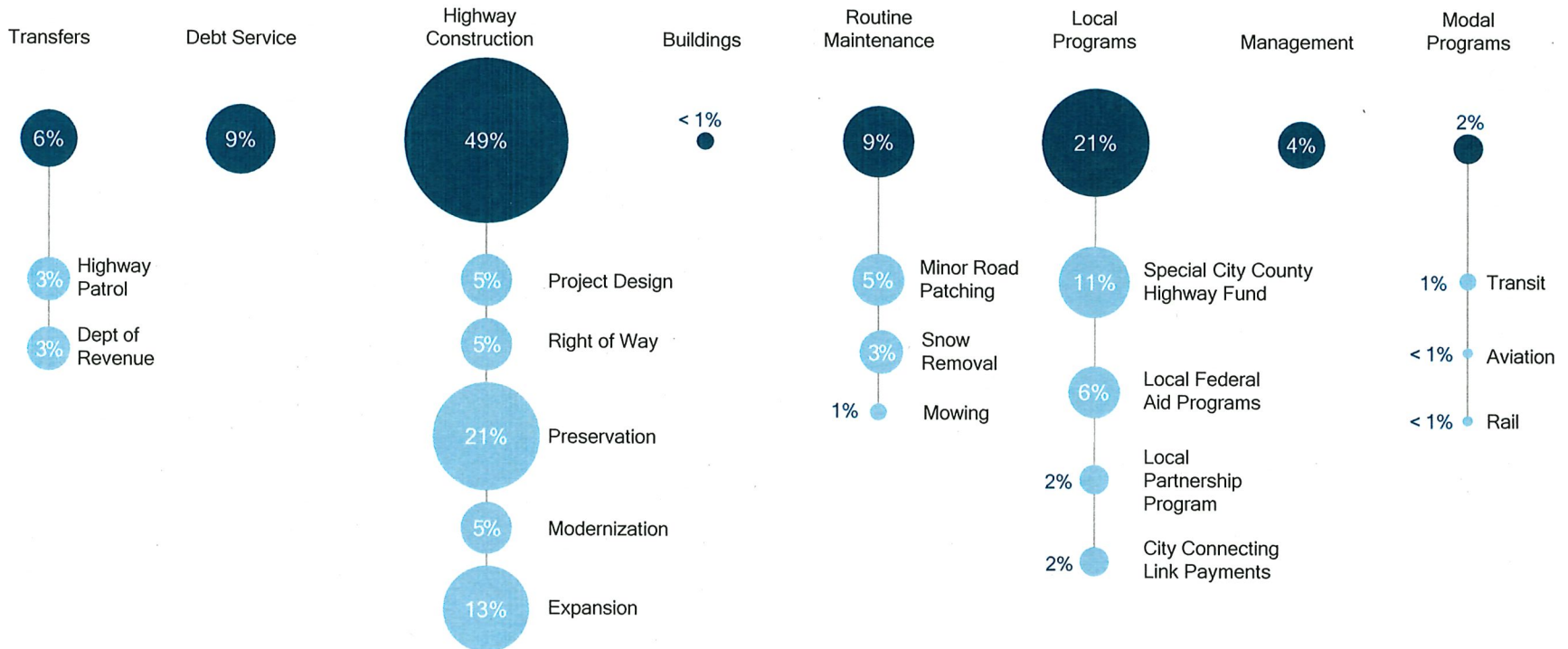
STATE HIGHWAY FUND
Sources and Expenditures
FY 2000-2009

Based on 2009 Cash Flow

SOURCES

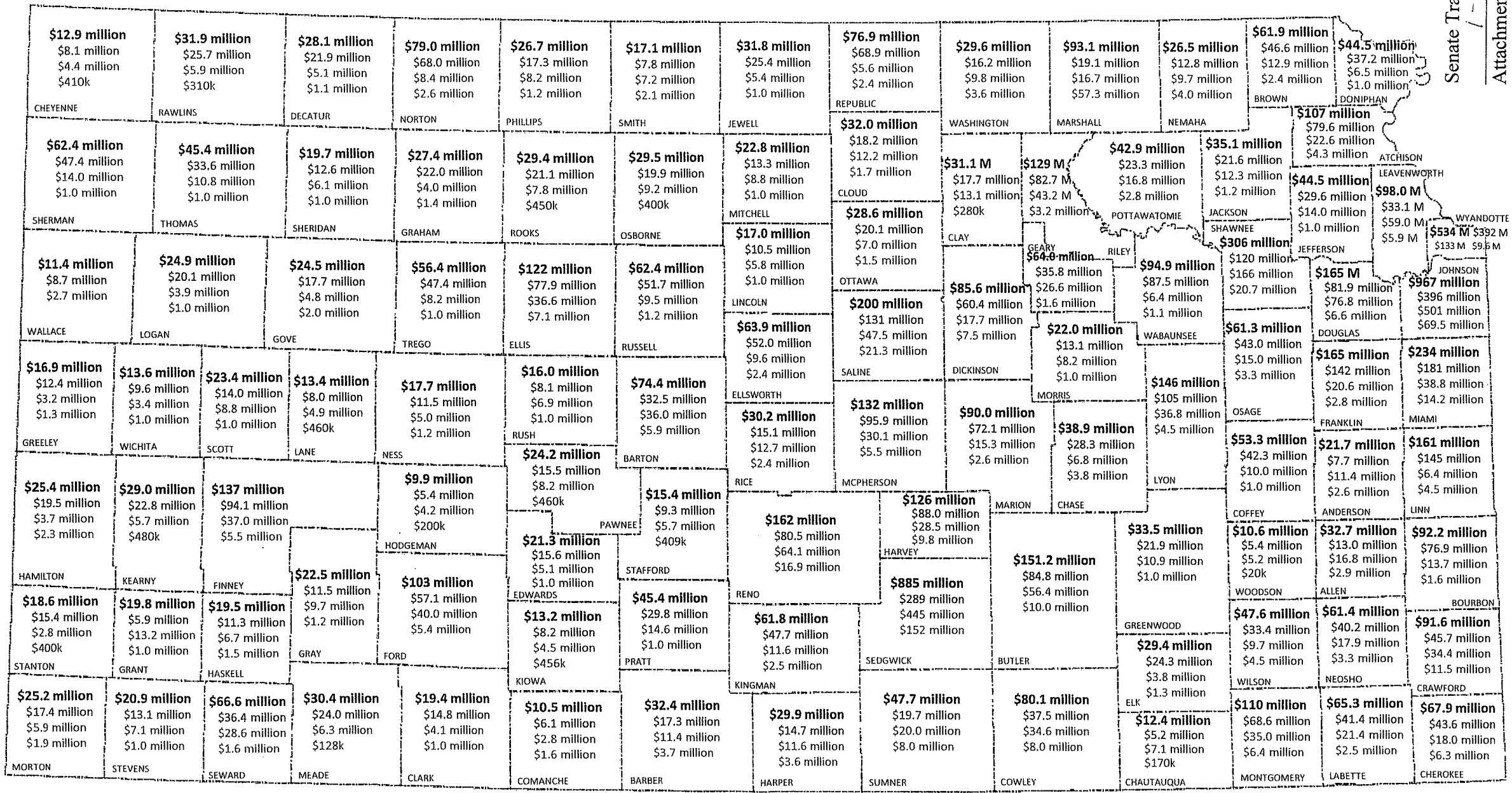


EXPENDITURES



Total Transportation Spending

Totals for the Comprehensive Transportation Program (CTP), 2000-2009



What do the colors mean?

Each color represents the spending and results in a different highway category

Total Spending – \$8.4 billion – Total transportation spending

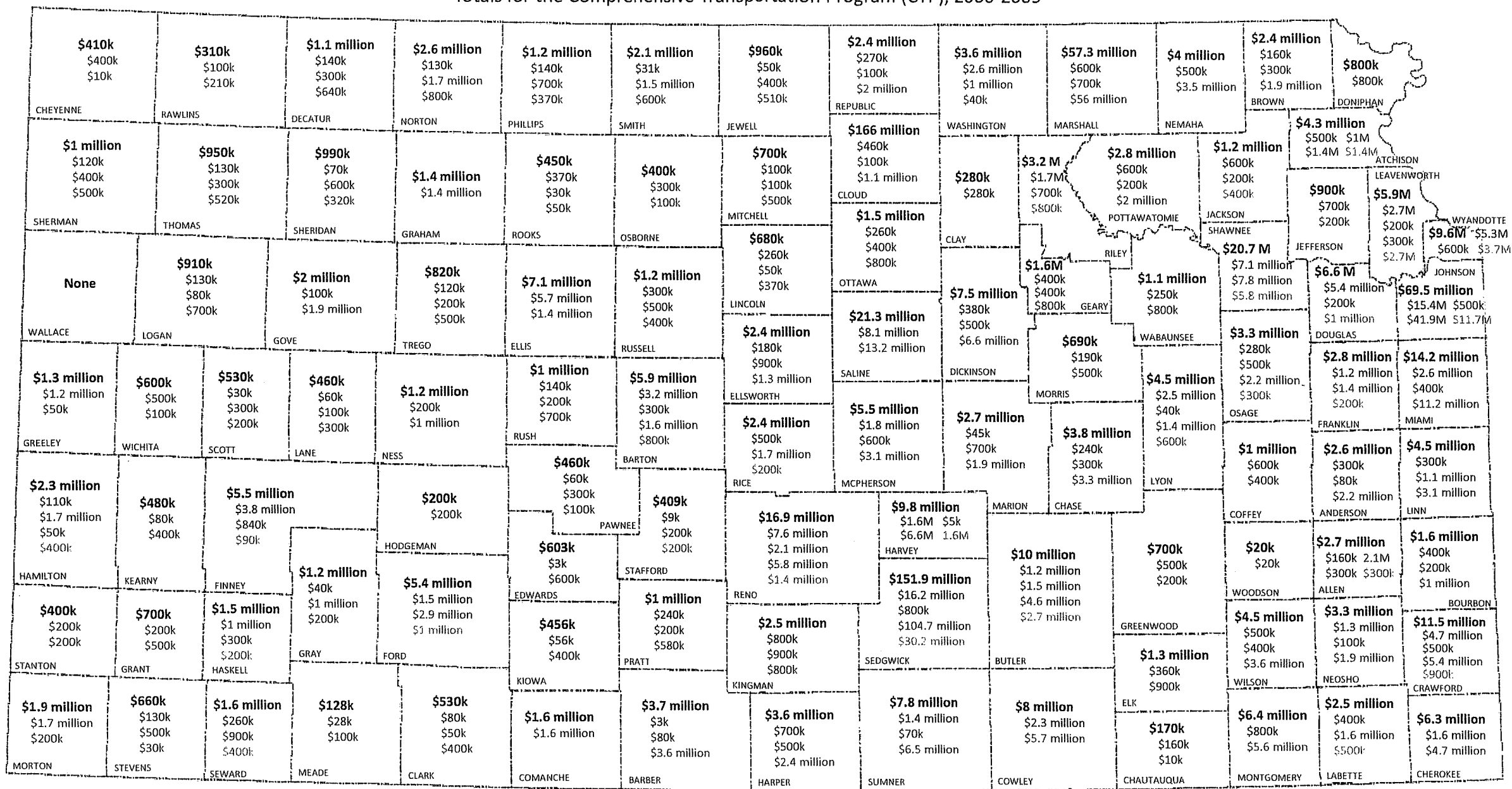
State Highways – \$5 billion – Spending on the state highway system (Interstate, "US", and "K" routes)

Local Roads – \$2.8 billion – Spending on city streets and county roads

Modes – \$600 million – Spending on other public transit, aviation, railroads, and bike/pedestrian

Transportation Spending on Alternate Modes: Public Transit, Aviation, Rail, and Bike/Pedestrian

Totals for the Comprehensive Transportation Program (CTP), 2000-2009



What do the colors mean?
 Each color represents the spending in a different modal category

Total Modal Spending – \$601 million – Combined spending on public transit, aviation, rail, and bike/pedestrian

- Public Transit – \$126 million – Capital improvements like buses and vans, and operating expenses (State and Federal funds)
- Aviation – \$43 million – Airport improvements, mostly to runway pavement (State funds and Local Match)
- Rail – \$364 million – Crossing improvements like crossing gates and overpasses. Also includes loans and grants to improve short-line railroads
- Bike and Pedestrian – \$70 million – Trails and paths (all Federal funds)