

MINUTES

SPECIAL COMMITTEE ON TRANSPORTATION

January 4, 2010

Room 545-N—Statehouse

Members Present

Senator Dwayne Umbarger, Chairperson
Senator Les Donovan
Senator Anthony Hensley
Senator Kelly Kultala
Senator Bob Marshall
Senator John Vratil
Representative Paul Davis
Representative Phil Hermanson
Representative Margaret Long
Representative Julie Menghini
Representative Melvin Neufeld
Representative Virgil Peck
Representative Richard Proehl
Representative Vern Swanson
Representative Ron Worley

Members Absent

Representative Gary Hayzlett, Vice-chairperson
Senator Steve Morris
Representative Shirley Palmer

Staff Present

Jill Shelley, Kansas Legislative Research Department
Chris Courtwright, Kansas Legislative Research Department
Aaron Klaassen, Kansas Legislative Research Department
Bruce Kinzie, Office of the Revisor of Statutes
Cindy Shepard, Committee Secretary

Others Attending

See attached list.

The meeting was called to order by Chairperson Dwayne Umbarger at 1:05 p.m.

Chairperson Umbarger reported that, at its meeting on the morning of January 4, this Committee's subcommittee had endorsed one of two proposals presented by the Kansas Department of Transportation for funding a new transportation plan. The subcommittee recommended the Special Committee on Transportation hear both proposals.

Deb Miller, Secretary, Kansas Department of Transportation (KDOT), appeared before the Committee and introduced T-Works, Transportation Works for Kansas, as the proposed name of the new transportation plan. Secretary Miller stated that today's proposals are the result of a three-year process, with more than 1,000 Kansans participating in more than 60 meetings held throughout the state (Attachment 1).

Kyle Schneweis, Chief, Office of Governmental Affairs, KDOT, continued the presentation by reviewing the following programmatic issues:

- Highways - Enhanced Project Selection Process;
- Highways - Fully Funded Preservation System (the consequences of not fully funding highway preservation);
- Highways - Addressing Capacity Needs, Utilizing Practical Improvements, Allowing Design Build;
- Local Roads - Consider Determining a Priority Network; Implement a Fund Exchange Program (with local governments);
- Transit - Regional Approaches to Improve Efficiency, Revised Funding Formulas, Possible Commuter Corridor Program;
- Rail - Expanding Eligibility for the Loan/Grant Program;
- Aviation - Strategic Approaches (to increasing air ambulance coverage and economic development); and
- Multimodal Economic Development Program.

Committee members requested additional information from KDOT on the results of design-build projects at Regents institutions.

Joe Erskine, Deputy Secretary for Finance and Administration, KDOT, followed with a presentation on the following financial issues:

- Preservation Gap for the First Three Years (an estimated additional \$250 million is needed to maintain current highway system condition);
- Cash Flow/Debt Management Strategies to fill the three-year Preservation Gap:
 - 18 percent Debt Service Cap (to replace the current dollar limit on bonding);
 - Use of Build America Bonds; and
 - Flexible Debt Management Tools (such as authorizing 25-year bond terms);

- T-EDL (Transportation - Economic Development Loans) (a T-LINK-recommended financing option for local communities, using development revenue to repay debt for transportation-related improvements); and
- Tolling Considerations.

In response to questions from Committee members, KDOT officials said that no discussions were yet under way with Missouri on the possibility of a toll road between intermodal facilities in Kansas and Missouri, that the state receives fuel taxes from fuel sales on the Kansas Turnpike, and that it is unlikely that any new tolled highway could cover all of its costs from tolls.

KDOT provided a Funding Supplement, with surrounding state comparisons, requested by the subcommittee at the November 16 meeting (Attachment 2). KDOT also distributed a summary of Fiscal Years 2010 and 2011 expected reductions to the State Highway Fund (Attachment 3).

Bob Totten, Public Affairs Director, Kansas Contractors Association, testified in opposition to the KDOT proposal to use a design build process in transportation projects (Attachment 4). He stated the vast majority of members of his organization are opposed to this type of bid procurement procedure as they believe it could favor large, out-of-state companies. He added that for close to 90 years, KDOT has used almost exclusively the low bid approach in letting transportation projects. Association members believe it has worked quite well and see no reason to change it. In response to a Committee member's question, he said there are legal obstacles to protecting Kansas companies during this type of procurement.

Mr. Erskine presented the summary of two funding scenarios (Attachment 5) for the Committee to consider:

- Sales Tax on Motor Fuels Delayed Program beginning 01/01/2013. This scenario assumes the motor fuels tax would be reduced by \$.05, but the exemption on sales tax on motor fuels would be removed.
- Increase and Indexing of Motor Fuel Tax Delayed Program beginning 01/01/2013. This scenario would increase motor fuels taxes by \$.07 a gallon and index the motor fuel tax using the Consumer Price Index (CPI). Certain assumptions about increases in the CPI would mean a further increase of \$.082 in the motor fuel tax over ten years.

Both scenarios would increase car registration fees by \$20 and truck registration fees by \$100. All types of increases would be phased in over two years.

The meeting was opened to discussion. Chairperson Umbarger stated that the subcommittee recommended the first funding scenario of decreasing motor fuel tax and adding sales tax on fuel. He requested the Committee recommend one of the proposals.

During discussion, Senator Vratil said that the proposals to remove the sales tax exemption for motor fuels or index the motor fuels tax are major policy changes and that the two scenarios should be debated in both houses. *Senator Vratil moved, and Senator Hensley seconded, to offer both Scenarios 1 and 2 for debate on financing a new transportation plan. Motion carried.*

Mr. Schneweis reviewed a list of possible programmatic elements of a transportation plan, including finance, noting which would require legislative action (Attachment 6).

Senator Vratil moved, and Senator Kultala seconded, to include the following elements in a bill otherwise similar to Section 1 of 2009 SB 323 and 2009 HB 2382:

- *Authorization for an 18 percent bonding cap;*
- *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;*
- *Removing the 2020 sunset on motor fuel taxes in current law; and*
- *Removing tolling obstacles.*

Motion carried.

Secretary Miller suggested introduction of a separate bill to expand eligibility for participation in the short-line rail program. *Senator Hensley moved, and Representative Menghini seconded, to introduce separate legislation to expand eligibility for the short-line rail program. Motion carried.*

Chairperson Umbarger expressed his appreciation to Committee members for their efforts. He thanked Secretary Miller and the KDOT staff for their many hours of work assisting the Committee.

There are no future meetings scheduled at this time.

The meeting was adjourned at 3:50 p.m.

Prepared by Cindy Shepard
Edited by Jill Shelley

Approved by the Committee on:

January 19, 2010

(Date)

SPECIAL COMMITTEE ON TRANSPORTATION GUEST LIST

DATE: 1-4-10

NAME	REPRESENTING
Whitney Jamron	Ks Good Roads, Inc
JIM AUBUCHON	Highway 69 Assoc of Kansas.
MARY E TURKINGTON	Eco-Linkline
Julie Wenz	KDOT
Terry Heidner	KDOT
Jerry Younger	KDOT
BRUCE BURDITT	KDOT
KEED JAVIS	KDOT
Kyle Malcom	KDOT
Denise Petet	KDOT
DEB MILLER	KDOT
JOE BERKOWIE	KDOT
KYLE SCHNEWEIS	KDOT
Matt Casey	GTA
SAM ROTHGOLD	Lincoln Journal-World
Jan Watkins	Ks Good Roads
Whitney Jamron	" " "
Doug Mays	Ks Contractors Assn.
ERIK SARTORIUS	City of Overland Park
Ron Seaber	Ks FA

SPECIAL COMMITTEE ON TRANSPORTATION GUEST LIST

DATE: 1-4-10

NAME	REPRESENTING
Patrick J. Wesley	Economic Development
DAN RAMLOW	KS CONTRACTORS ASSN
Kent Eckles	KS Chamber of Commerce
Robin Johnson	Southwest Kansas Coalition
Edie Martin	KDOR
Cindy Monard	KDOR
Patricia Platt	KDOR
Terry Heidner	KDOT
Alicia Johnson	KDOT
BRUCE BURDITT	KDOT
Kyle Malcom	KDOT
Denise Petet	KDOT
Rubert Cram	KDOR
Joan Wegman	KDOR
Keed Davis	KDOT
Ron Sehn	KGFA
Pat Mulbell	Kan. Railroads
Berend Koops	Hain Law Firm
Edward De Goignie	Heavy Constructors Association

Wesley - Transportation Eco - Utilities



Interim Transportation Committee

Agenda

- Introduction & Background-- Deb Miller
- Programmatic Issues-- Kyle Schneweis
- Financial Issues-- Joe Erskine



Special Committee on
Transportation 2009

1/4/10
Attachment 1

Public Input

- More than **60 meetings** held
- More than **1,000 Kansans** participating
- Strong online presence: www.ktoc.net

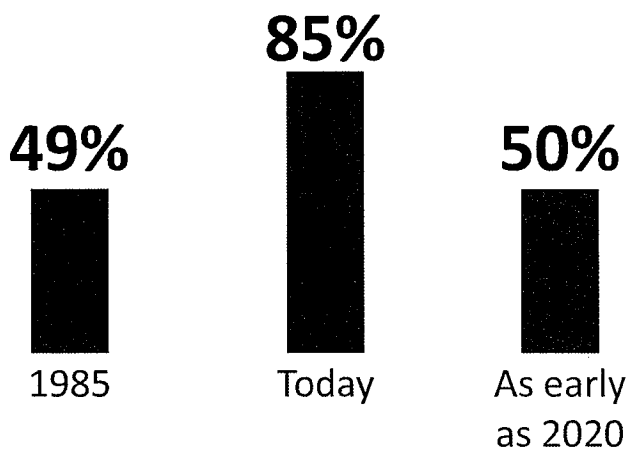


Highways

- Enhanced Project Selection
 - Link project selection to **economic development**
 - More **frequent** project selection to address emerging opportunities
 - Kansans have **vetted** this approach



Highways: Fully Fund Preservation



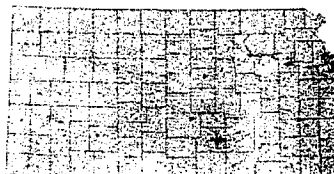
Highways

- Increase funding for **capacity** needs
- Implement **Practical Improvement** Approach
- Design Build



Local Roads

- Continued funding under the **Special City County Highway Fund & Sustainable Priority Network Concept**
- Fund Exchange Program
 - Moving forward



Transit

- Regional approach to improve rural services & efficiency
- Revised rural & urban funding formulas
- Create a commuter corridor transit funding program

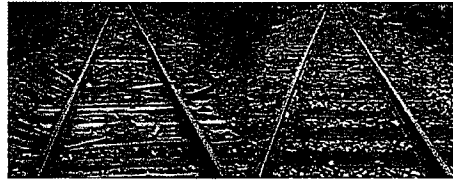


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Rail

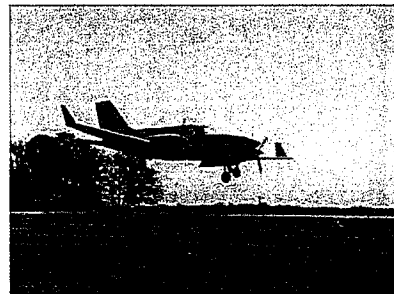
- **Expand program to allow local govts., shippers & industrial parks to be eligible**
- **Increase funding**

Before After



Aviation

- **Strategic approach to improve air ambulance coverage & enhance economic development**
- **Increase funding**



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Multimodal Economic Development Program

- Fund at **\$20 million**
- Project decisions made on continuous cycle
- Opens program to other **modes**



Funding & Finance Agenda

- **Preservation Gap for first 3 years** (assuming delayed program)
- **Cash Flow/Debt Management Strategy to fill 3 year Preservation Gap**
- **T-EDL (Transportation - Economic Development Loans)**
- **Tolling Considerations**
- **Funding Scenarios**
- **Funding Supplement**



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Preservation Gap

(refer to Gap Chart in packet)

\$250 Million Gap

(Aggregate for FY 2011-2013)

- Amount required to **maintain current system condition**
- Does **not include any future transfers** from SHF to SGF
- Based on assumption of **steady federal funding and current state revenue projections**
- Addresses preservation-only spending- i.e., **no new construction** (modernization, expansion, modes, local support, etc.)



Cash Flow/Debt Management Strategies

- 18% Debt Service Cap
- Build America Bond- \$300 MM in FY 2011 (late CY 2010)
 - Requires authority to issue **25 year bonds**
 - Part of **ARRA Program** (program expires end CY 2010)
 - **35% federal interest payment subsidy**
 - Use of BAB's creates approx. **\$20 Million debt service savings** to Kansas with 25 year bond issue
 - Over **\$60 Billion BAB's** have been issued nationwide



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Cash Flow/Debt Management Strategies (Cont'd)

- Implement **Flexible Debt Management Tools** for KDOT
 - Authority to issue **25 year term debt from any date of issue**
 - Authority to refund both principal and interest, **taking advantage of market conditions** (while ensuring positive net present value transactions)
 - Note: IRS guidelines require maximum debt term to track with life of underlying improvement, thus protecting against irresponsible refunding
- KDOT has **expertise** and track record for successful debt management
- SHF remains a **highly rated** issuer of bonds



Debt Management Savings

In the last 10 years, KDOT has saved nearly **\$100 Million** for the taxpayers through active Debt Management using diversification and timely refunding.

- In 1999, KDOT sold \$200 million in unhedged Variable Rate Debt. This transaction has produced a Net Present Value (NPV) **savings of \$40 million.**
- Refunding of the 2002 A series bonds created a NPV **savings of \$21.5 million.**
- Refunding of the 2002 B/C series created a NPV **savings of \$30 million.**
- During November 2003, KDOT restructured the Department's debt and refunded \$324 million in outstanding debt which produced a NPV **savings of \$3 million.**



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Transportation – Economic Development Loans (T-EDL)

(TLINK Executive Summary Report-January 2009)

To open financing options for local communities, allow the Secretary of transportation to review transportation-related economic development opportunities and authorize the use of debt financing with repayment streams flowing from the development revenue.

T-LINK recognized that communities –even growing communities –struggle to fund improvements to serve new development. Current financing options are difficult and cumbersome for communities to use. Therefore, T-LINK recommends combining into a single piece of legislation approaches similar to the economic development and transportation specific elements found in STAR Bonds, Transportation Development Districts (TDD's) and Tax Increment Financing (TIF).



Transportation – Economic Development Loans (T-EDL)

- Administered through the Transportation Revolving Fund (TRF)
- Loans for local governments to fund transportation improvements to **serve economic development**
- Authorizes the SHF to **bridge the debt service gap** between construction and when new, incremental revenues begin to flow
- Authorize revenues from CIDs, TDDs, TIFs, in addition to other pledged sources, to service the T-EDL loan payments
- **Feasibility Study** Required
- Projects Approved on **Project by Project Basis** by Secretary of Transportation, with consultation from Secretaries of Commerce and Revenue



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Tolling

T-LINK Positions:

- Kansas should use toll financing where **practical**;
- Toll revenues should be **spent on Kansas roads** and highways;
- Tolling practices should **not require 100% of costs** to be covered by tolling revenue.



Scenarios

	Sales Tax on Motor Fuel Delayed Program beginning 1/1/2013
Motor Fuel Tax	-5¢
Indexing Motor Fuel Tax	NO
Car Registration	\$20
Truck Registration	\$100
Sales Tax on Fuel	YES
Policy Revenue Enhancements	YES
Bonds Issued	\$2.0B
KDOT New Revenue	\$4.0B
% of T-LINK Gap Filled	70%
SCCHF Net Difference	-\$235M
City and County Sales Tax on Fuel Revenue	\$619M
City and County New Revenue Total	\$384M
Total New Revenue	\$4.4B



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Scenarios

	Sales Tax on Motor Fuel Delayed Program beginning 1/1/2013	Increase & Indexing of Motor Fuel Tax Delayed Program beginning 1/1/2013
Motor Fuel Tax	-5¢	7¢
Indexing Motor Fuel Tax	NO	YES (+8.2¢)
Car Registration	\$20	\$20
Truck Registration	\$100	\$100
Sales Tax on Fuel	YES	NO
Policy Revenue Enhancements	YES	YES
Bonds Issued	\$2.0B	\$2.0B
KDOT New Revenue	\$4.0B	\$3.6B
% of T-LINK Gap Filled	70%	63%
SCCHF Net Difference	-\$235M	\$139M
City and County Sales Tax on Fuel Revenue	\$619M	N/A
City and County New Revenue Total	\$384M	\$139M
Total New Revenue	\$4.4B	\$3.73B



Funding Supplement

- Background information on over **25 possible funding sources**
- Map of Surrounding States Transportation Funding
- Information on ideas presented by Rep. Worley and Rep. Long



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Prepared for the Special Interim Committee on Transportation - January 4, 2010

Solid Process

With over 60 meetings held across the state and more than 1,000 Kansans participating in the process, KDOT has done significant work assessing the transportation needs of the state and developing strategies to meet those needs. The result of these efforts can be found in the plan known as T-Works, which is summarized below.

Highways: Expanded Selection Process

Kansans clearly believe that transportation improvement projects should be linked to economic opportunities. Past programs have generated thousands of jobs and for every dollar invested in transportation, \$3 is turned over in the Kansas economy. And, by incorporating economic impact analysis as a factor in project selection, the State has the potential to generate even greater returns.

There are three transportation project types with each type serving a different transportation need. Correspondingly, each project type has a specific project selection approach, as outlined below:

- **Expansion projects** – adding something new. This category includes adding lanes and interchanges. These projects would be selected using economic analysis, local consultation and engineering factors.
- **Modernization projects** – improving the existing roadway. This includes things like adding shoulders, flattening hills, straightening curves, and improving intersections. These projects would be selected using local consultation and engineering factors.
- **Preservation projects** – taking care of what we have. The bulk of this work includes pavement rehabilitation and reconstruction and bridge repairs and replacements. These projects would continue to be selected solely based on engineering factors such as pavement condition or roadway geometrics.

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Kansans have called for projects to be selected more frequent than every 10 years. The expanded selection process would be used to select projects every few years to allow communities to capture emerging economic opportunities. And this process calls for a portion of the funds to be set aside for projects that are needed immediately to seize new economic opportunities.

KDOT presented the expanded process this fall during local consultation meetings across the state and has posted materials online for people to offer comments. Overall, the response to this approach has been positive.

Highways: Fully Funded Preservation System

Kansans have stressed that preserving the State's transportation system should be the top priority. Kansans have invested billions of dollars to get the system in good shape and to let it deteriorate would be wasteful. In the 1980s, less than half of the State's highways were in good condition; today 85 percent are in good condition. KDOT cannot fully fund needed preservation efforts with existing revenues.

Highways: Addressing Capacity Needs, Utilizing Practical Improvements

The last two transportation programs enabled the State to address many of its modernization needs (widening shoulders, flattening hills etc.). However, the State continues to have growing capacity needs, which is why T-WORKS calls for shifting more funds to expansion projects to address those needs. Expansion projects, which involve adding lanes or interchanges, can be very expensive. KDOT recognizes the need to work with communities to make sensible choices about which routes need to be improved to 4-lanes and which routes could be improved using less expensive alternatives such as adding passing lanes. Practical improvement approaches, such as adding passing lanes, can be effective in improving traffic flow in rural areas where there may not be high overall traffic counts, but significant truck traffic is congesting the highway. Other practical improvements can include matching shoulder type and width to traffic volumes. T-WORKS calls for utilizing practical improvements where possible.

Local Roads: Priority Network

Funding of the Special City County Highway Fund (SCCHF) is critical for local roads. In addition to increased funds for the SCCHF, T-Works creates incentives for local governments to work towards creating a sustainable network of local roads by having some additional dollars

targeted for roads and bridges on the priority network. The priority network would be created by local officials in collaboration with KDOT.

Local Roads: Fund Exchange Program

To provide local governments more flexibility, it is recommended to create a fund exchange program that would allow local governments to sell or swap their federal funds for state funds that carry fewer prescriptive requirements.

Transit: Regional Approach Improves Efficiency

With more than 180 transit providers and 12 Kansas counties without access to public transportation, there is a need to improve efficiency in order to expand service in rural areas. Under the proposed regional approach, costs would be streamlined through the establishment of 10-15 districts with a lead agency in each district. KDOT would contract directly with each lead agency, and the lead agencies would be required to provide a specific level of service in each region. The lead agencies would use one-call dispatching and would be able to sub-contract with other transit providers. Pilot projects are already underway and are doing well.

Transit Funding

Demand for transit is growing rapidly both in urban areas and in rural areas. Kansans depend on these services to get to work and to access medical services. More funding is needed to meet this demand, which is why T-Works recommends an increase in transit funding. In addition to providing more funds, it is proposed to revise the funding formulas for rural and urban transit.

The proposed formula for rural transit includes the following variables: Population, Ridership and Mileage. This funding would be based on regional areas (currently the Coordinated Transit Districts). For the rural providers, funding formulas would be recalculated annually.

The recommended formula for urban transit includes the following variables (with the weighting per variable): Population (40%), Ridership (40%) and Mileage (20%).

T-Works recommends the use of a stand-alone discretionary commuter funding program to establish or enhance innovative and sustainable commuter services.

Rail

T-Works recommends increasing short-line rail funding which is critical for shipping agriculture products, and expanding the program to make shippers, local governments and industrial parks eligible to participate in it.

Aviation:

Recognizing the importance both to economic development and emergency air services, T-Works recommends creating an aviation priority network, which would prioritize airport projects to fill gaps in the network so Kansans will have access to air ambulance service despite weather conditions. T-WORKS also recommends increasing funding to address growing aviation needs.

Multimodal Economic Development Program:

During the Comprehensive Transportation Program funding for the economic development program averaged \$7 million annually and was used to support highway and bridge projects. Each year applications far exceeded funding. The previous program selected projects annually, which didn't allow communities the flexibility to meet emerging needs. The proposed new program would be funded at \$20 million annually, would reserve a portion of the funds for projects that need immediate action and would be open to all transportation modes. Unlike the previous program, projects would be selected continuously to allow communities the opportunity to capture emerging needs.

Financial Management Tools

18% Debt Service Cap:

Rather than authorize a specific amount of debt as has been done in the past, an alternative is that the legislature impose a debt service to revenue restriction. This restriction would allow the Agency to issue debt so long as the SHF's total annual debt service expense does not exceed 18% of Adjusted Total Agency Revenues (ATAR). ATAR includes all annual agency revenues less extraordinary cash inflows and Special City and County Highway Funds. It is the intent of KDOT and T-LINK that debt issued under this approach be used for expansion/enhancement type projects and not for light preservation/maintenance.

Debt Service Cap: Advantages

- **Flexibility** - The policy would offer the Agency flexibility in the timing of debt issuance allowing for unanticipated economic development projects to be undertaken that may not otherwise receive funding due to the absence of issuance authority.
- **Planning** - Relating future debt service to revenues will require the Agency to follow a long-term planning horizon. Though the Agency currently plans on this horizon, the legislatively imposed requirement to do so will provide investors with further assurance and positively influence the Agency's cost of borrowing.
- **Active Management** - The policy would enable the Agency to more efficiently manage its debt portfolio by timing debt issuances when market conditions are most desirable or when unforeseen emerging needs occur.

Debt Service Cap: Secure Financial Policy

- The 18% debt service to revenue test is considered by industry analysts to be a fiscally responsible ceiling in the management of debt and provides stronger coverage than is required by KDOT's bond covenants.

- Following a cap of 18% with prudent management of other leverage measures should allow the Agency to retain its current high credit ratings of Aa2, AAA, and AA on long term debt by Moody's, S&P, and Fitch respectively.
- The relatively low annual debt service obligation afforded by the 18% cap would again offer the Agency a degree of flexibility in year-to-year construction spending.

Debt Service Cap: Legislative Questions

In the September 29th meeting of the Special Interim Committee on Transportation, the following questions were raised regarding the cap:

1. What happens, or are the consequences, if KDOT were to issue additional debt over the cap?
2. Under the proposed cap would the Agency be able to continue issuing Variable Rate Demand Obligations (VRDOs)?

In response to these questions, draft bond legislation was prepared and thus provide the following responses:

1. Under the proposed legislation the test for issuance of new bonds would be at the time of issuance. The test would include provisions to estimate revenues into the future and variable rate debt for the life of the bonds assuming traditional growth patterns for revenue and recent variable rate debt interest rates.
2. Issuing debt that causes debt service to exceed the 18% ceiling would be the same violation of a statute (a reportable event for the auditors) as issuing more than \$1.272 billion of new money bonds for the CTP.

Debt Service Cap: Other States' Policies

Missouri currently manages their Highway Debt not to exceed 20% of the annual total road and bridge fund. Research is currently underway to determine debt management policies of other state DOTs.

Build America Bonds:

The American Recovery and Reinvestment Act (the "Act") created a new form of bonds known as Build America Bonds ("BABs"). These are taxable state and local government bonds that include a federal subsidy for either the bond issuer or the bondholder. The purpose of the BABs is to assist state and local governments in financing capital projects at lower borrowing costs and to thereby stimulate the economy and create jobs. There is no volume limitation on the amount of eligible Build America Bonds that can be issued.

Currently, the program is only available for bonds issued prior to January 1, 2011.

The Act created two types of BABs. The first type of BABs provides a Federal tax credit to bondholder equal to 35% of the interest payable by the issuer ("Tax Credit BABs"). The second type of BABs provide a direct Federal subsidy that will be paid to state or local governments in an amount equal to 35% of the interest ("Direct Payment BABs").

Year-to-date more than \$60 billion of BABs were issued representing 8% of the total \$705 billion of investment grade taxables to-date. The State of California brought the largest (\$5.23 billion) of BAB to the market during April, 2009. The New Jersey Turnpike Authority followed with a \$1.38 billion offering.

Due to current market conditions, BABs become most advantageous the longer the life of the bond. Currently, the majority of BABs are being issued with a maturity of not less than 25 years.

Build America Bonds: Application in Kansas

As stated above, in order to maximize the savings that BABs offer, bonds should be no less than 25 years in length. Currently KDOT is statutorily limited to issuing debt for a length not to exceed 20 years. Therefore, in order to issue BABs and receive the largest benefit possible Legislative action would be required.

In most of the scenarios presented you will find \$300 million in BABs in late calendar year 2010. The Agency has been advised that there are significant savings if the issuance is at least \$250 million. Therefore, KDOT is showing \$300 million in BABs which would allow Preservation to be fully funded, under current revenues, through the beginning of FY 2014 and the Agency to remain below the proposed 18% Debt Service Cap.

KDOT believes that taxpayers would be best served by issuing Direct Payment BABs. Currently, most BABs being issued are Direct Payment.

Debt Management Savings:

Over the last 20 years KDOT has taken an aggressive policy toward debt management. Due to this aggressive policy KDOT has saved nearly \$100 Million for the taxpayers.

- In 1999, KDOT sold \$200 million in unhedged VRDOs (2000 B/C series). This transaction has produced a Net Present Value (NPV) savings of \$40 million.
- The 2002 A series of bonds were refunded with a NPV savings of \$21.5 million.
- The 2002 B/C series were refunded with a NPV savings of \$30 million.
- During November, 2003 KDOT restructured the Department's debt and refunded \$324 million in outstanding debt which produced a NPV savings of \$3 million.

Flexible Debt Management Tools Needed:

- 18% Debt Service Cap.
- Authority to issue 25 year term debt from any date of issue.
- Authority to refund both principal and interest, taking advantage of market conditions (while ensuring positive net present value transactions).
 - Note: IRS guidelines require maximum debt term to track with life of underlying improvement, thus protecting against irresponsible refunding.
- KDOT has expertise and track record for successful debt management.
- SHF remains a highly rated issuer of bonds.

Transportation – Economic Development Loans (T-EDL):

The Transportation-Economic Development Loan Program was conceptualized in response to a compelling need local communities spoke about to T-LINK. T-LINK heard communities—even growing communities—struggle to find financing options for improvements to serve new development. The T-EDL program would capitalize on the success of the current Transportation Revolving Fund (TRF) and provide expanded flexibility and repayment options to borrowers. T-EDL is unique in that it would allow repayment streams to stem from revenues generated from Community Improvement Districts (CIDs), Transportation Development

Districts (TDDs) and Tax Increment Financing including property tax, local sales tax and transient guest taxes.

Traditional bonding for new transportation infrastructure is difficult, if not impossible if the proposed method of repayment is incremental revenue from the proposed improvement because of the large time delay from the issuance of the bonds to when incremental revenues begin to flow. The proposed T-EDL program would provide a solution to that problem while the infrastructure and development is under construction.

T-EDL: Project Selection

Projects would be selected on a project by project basis. Due to the complex nature of projects and funding sources each project will need to be evaluated on its own merits including its value to the overall state highway system.

T-EDL: Use of Funds

Currently, TRF loans can pay for any bridge, culvert, highway, road, street or combination. However, this list may be expanded for T-EDL to include things such as:

- Sidewalks, curbs, gutters
- Utilities (water, gas, electricity)
- Sanitary and storm sewers
- Parking facilities
- Landscaping, shelters, lighting, green spaces
- Acquisition of real property (but not eminent domain)

Tolling:

T-LINK recommended that Kansas should look for opportunities to improve the highway system with the use of toll financing where practical; toll revenues generated in Kansas should be spent to operate, maintain and improve Kansas roads and highways; and tolling practices should not be limited to those in place today that require 100 percent of construction, operation and maintenance costs to be covered by revenues.

The extent to which tolling is viable as a funding mechanism is still under review but legislative action is required to ensure KDOT has the authority to use tolling if and when it might be practical.

Traditional Program Expenditure Gap Chart Recommended Lettings

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Prepared for the Interim Special Committee on Transportation - January, 2010

All amounts in millions, unless otherwise noted

	Letting Amounts (For State Fiscal Year)							8 yr Program		10 yr Program	Total
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
Under Current Revenues											
CTP Lettings	155	52	36	22	5	-	-	-	-	-	270
Preservation and Modernization	327	302	330	334	391	416	440	426	382	420	3,768
T-LINK Recommendations											
Preservation - Pay As You Go (1R)	233	241	250	258	268	280	292	305	318	332	2,777
Pay as you go Preservation Gap	94	61	80	76	123	136	148	121	64	88	991
Heavy Preservation (Reconstruction and Priority Bridge)	155	161	166	172	178	186	194	203	212	222	1,849
Heavy Preservation Gap	(61)	(100)	(86)	(96)	(55)	(50)	(46)	(82)	(148)	(134)	(858)
Modernization	36	37	39	40	41	43	45	47	49	51	429
GAP - In Aggregate	(97)	(137)	(125)	(136)	(96)	(93)	(91)	(129)	(197)	(185)	(1,287)
Expansion	300	311	321	333	344	360	376	393	411	429	3,577
GAP - In Aggregate	(397)	(448)	(446)	(469)	(441)	(453)	(467)	(522)	(608)	(614)	(4,864)
New Modes	20	21	21	22	23	24	25	26	27	29	238
GAP - In Aggregate	(417)	(468)	(467)	(491)	(464)	(477)	(492)	(548)	(635)	(643)	(5,102)
Local - Includes Priority Road Network, ED, KLINK, CCL, and GI	54	56	58	60	62	65	68	71	74	77	644
GAP - Annual Cumulative	(471)	(524)	(525)	(551)	(525)	(542)	(560)	(619)	(709)	(720)	(5,746)
Running Total Aggregate Gap	(471)	(995)	(1,521)	(2,071)	(2,597)	(3,138)	(3,698)	(4,317)	(5,026)	(5,746)	
Program Average Annual Gap Without Increase to SCCHF								540		575	
SCCHF GAP From Additional Recommended Funding (for Local Govts)	28	28	28	28	28	28	28	28	28	28	280

Cumulative Gap

Future Federal Reimbursements at current SAFETEA-LU level.
 Inflation factor of 3.5% in FY2011-2015 and 4.5% in FY2016-2020.
 Continue to pay the SGF portion of the Kansas Highway Patrol.
 No repayment of the remaining SGF loan.
 No allotments have been included for FY2010-2011.
 Retain the VIPS surcharge starting January 1, 2013.



Summary of Funding Scenarios

	Sales Tax on Motor Fuel Delayed Program beginning 1/1/2013	Increase & Indexing of Motor Fuel Tax Delayed Program beginning 1/1/2013
Motor Fuel Tax	-5¢	7¢
Indexing Motor Fuel Tax	NO	YES (+8.2¢)
Car Registration	\$20	\$20
Truck Registration	\$100	\$100
Sales Tax on Fuel	YES	NO
Policy Revenue Enhancements (see below)	YES	YES
Bonds Issued	\$2.0B	\$2.0B
KDOT New Revenue*	\$4.0B	\$3.6B
% of T-LINK Gap Filled	70%	63%
SCCHF Net Difference	-\$235M	\$139M
City and County Sales Tax on Fuel Revenue	\$619M	N/A
City and County New Revenue Total	\$384M	\$139M
Total New Revenue	\$4.4B	\$3.73B

* Local Partnership Programs such as KLINK, GI, CCL, ED and Priority Road Network are included in the KDOT administered programs and thus reflected under "KDOT New Revenue"

All Scenarios Include:

Policy Revenue Enhancements to begin in FY 2011:

KDOT does NOT continue to pay the SGF portion of the Kansas Highway Patrol

Repayment of the remaining SGF loan

Primary Seatbelt Law passes

100% of Preservation needs are funded

18% Bonding Cap in place

Federal Funding remains flat at SAFETEA-LU levels

1-22

TWORKS

TRANSPORTATION WORKS FOR KANSAS
Jobs ■ Safety ■ Economic Development

REVENUE SCENARIO:
7% Statutory MFT Increase, 8.2% MFT Increase Due to Indexing to the CPI, \$20 Car Reg. Increase, \$100 Truck Reg. Increase, Policy Revenue Enhancements and Bond \$2,000MM
*Note: SCCHF receives \$139M in new revenue.

Increase & Indexing of Motor Fuel Tax Delayed Program beginning 1/1/2013

1-23

Amounts in millions, unless otherwise noted
Federal aid held constant at Fiscal Year 2009 SAFETEA-LU level.

Annual Incremental Revenue					
Funding Source	Unit Increment	Marginal Revenue to			
		Agency	Current Kansas Rate	National Average	Regional Average
Motor Fuel Tax	\$0.01	\$17 million	\$0.25	\$0.28	\$0.27
Car Registration	\$1	\$2.48 million	\$35	\$50	\$55
Truck Registration	\$1	\$0.16 million	\$1,770	\$1,675	\$2,072
Sales & Use Tax	\$0.001	\$41 million	5.3%*	5.09%	5.55%

* State Highway Fund currently receives 13/106ths of the 5.30%, the equivalent of a 0.65% tax rate.

Fiscal Year	Rate Increase	2011	2012	2013	2014	2015	2016	2017	2018	8 Year Total	2019	2020	10 Year Total
MFT per gal. (cents)	\$0.070	-	-	0.04	0.03	-	-	-	-		-	-	
New MFT		\$ -	\$ -	\$ 30	\$ 95	\$ 129	\$ 131	\$ 133	\$ 134	\$ 652	\$ 136	\$ 138	\$ 926
Increase Due to Indexing	\$0.082	\$ -	\$ -	\$ 1	\$ 9	\$ 25	\$ 46	\$ 71	\$ 94	\$ 246	\$ 119	\$ 147	\$ 512
Less: MFT to SCCHF	A	-	-	(11)	(19)	(19)	(19)	(18)	(18)	(102)	(18)	(19)	(139)
Net MFT to SHF		-	-	20	85	135	158	186	210	796	237	266	1,299
Car Reg. fee (dollars)	20	-	-	10	10	-	-	-	-		-	-	
Truck Reg. fee (dollars)	100	-	-	50	50	-	-	-	-		-	-	
New Revenue		-	-	19	55	72	73	75	76	369	77	79	525
Net New Revenue		-	-	39	140	207	232	260	286	1,165	314	345	1,824
Policy Revenue Enhancements	B	76	67	37	38	39	40	41	42	382	43	44	470
Bonds	Issue	300	0	250	250	200	200	200	200	1,600	200	200	2,000
Less: Debt Service	\$2,000 C	(6)	(12)	(22)	(42)	(60)	(76)	(92)	(108)	(419)	(124)	(140)	(684)
Net Bond Proceeds	Bonds	294	(12)	228	208	140	124	108	92	1,181	76	60	1,316
Net new cash inflows to SHF		\$ 370	\$ 55	\$ 305	\$ 386	\$ 386	\$ 396	\$ 409	\$ 421	\$ 2,728	\$ 433	\$ 449	\$ 3,610
Aggregate Debt Service		\$ 184	\$ 184	\$ 186	\$ 197	\$ 221	\$ 196	\$ 182	\$ 262		\$ 278	\$ 292	
Debt Service to ATAR	D	13.7%	14.5%	15.3%	15.3%	15.6%	13.3%	12.0%	16.7%		17.2%	17.5%	
Total Debt Outstanding	E	\$ 1,782	\$ 1,672	\$ 1,811	\$ 1,946	\$ 2,013	\$ 2,112	\$ 2,229	\$ 2,273		\$ 2,304	\$ 2,323	
Percentage of T-LINK Gap Met										63.20%			62.83%
Percentage of Modernization, Expansion, Modes & Local Gap Met										57.53%			56.30%

- A Special City and County Highway Fund (SCCHF) and State Highway Fund (SHF) currently receive 33.63% & 66.37% respectively of MFT, this proportion would change to ensure the percentage of the T-LINK gap met for both KDOT and the SCCHF remains the same (in this scenario approximately 65%).
- B Policy Revenue Enhancements include the repayment of SGF loan, primary seatbelt law passed and no continued funding of the KHP.
- C Annual debt service is 5% on Build America Bonds during the first 10 years and 8% on all other new debt. Bonds are assumed to be issued at mid-year.
- D ATAR is Adjusted Total Agency Revenues which excludes bond proceeds, SCCHF revenues, and extraordinary cash receipts.
- E The highest debt issuance authority was granted to the SHF during the 2002 legislative session at a level of \$1,975. The maximum amount of SHF debt outstanding was \$1,890 at December 31, 2004.
- F As an internal policy matter, 1.5% of ATAR will be used toward debt issuance for emerging economic opportunities.

Prepared by: KDOT Office of Financial & Investment Management

Prepared for 3rd meeting of the Special Interim Committee on Transportation, 1/4/2010.

Sales Tax on Motor Fuel Delayed Program beginning 1/1/2013

1-24

Amounts in millions, unless otherwise noted
Federal aid held constant at Fiscal Year 2009 SAFETEA-LU level.

REVENUE SCENARIO: 5¢ MFT Decrease, \$20 Car Reg. Increase, \$100 Truck Reg. Increase, Policy Revenue Enhancements and Bond 2,000MM

*NOTE - Over 7.5 years local sales tax statewide raises \$437M and \$182M on gasoline and diesel, respectively.

Annual Incremental Revenue					
Funding Source	Unit Increment	Marginal Revenue to Agency	Current Kansas Rate	National Average	Regional Average
Motor Fuel Tax	\$0.01	\$17 million	\$0.25	\$0.28	\$0.27
Car Registration	\$1	\$2.48 million	\$35	\$50	\$55
Truck Registration	\$1	\$0.16 million	\$1,770	\$1,675	\$2,072
Sales & Use Tax	\$0.001	\$41 million	5.3%*	5.09%	5.55%

* State Highway Fund currently receives 13/106ths of the 5.30%, the equivalent of a 0.65% tax rate.

Fiscal Year	Rate Increase	2011	2012	2013	2014	2015	2016	2017	2018	8 Year Total	2019	2020	10 Year Total
MFT per gal. (cents)	-\$0.05	-	-	(0.05)	-	-	-	-	-		-	-	
New MFT		\$ -	\$ -	\$ (37)	\$ (91)	\$ (92)	\$ (93)	\$ (95)	\$ (96)	\$ (504)	\$ (97)	\$ (98)	\$ (700)
Less: MFT to SCCHF	A	-	-	13	31	31	31	32	32	170	33	33	235
Net MFT to SHF		-	-	(25)	(60)	(61)	(62)	(63)	(64)	(335)	(64)	(65)	(465)
Car Reg. fee (dollars)	20	-	-	10	10	-	-	-	-		-	-	
Truck Reg. fee (dollars)	100	-	-	50	50	-	-	-	-		-	-	
New Revenue		-	-	19	55	72	73	75	76	369	77	79	525
Sales & Use Tax Rev.		-	-	-	-	-	-	-	-	-	-	-	-
Sales Tax on Motor Fuel		-	-	117	264	275	285	296	308	1,545	320	332	2,196
Net New Revenue		-	-	111	258	285	296	308	320	1,579	332	345	2,257
Policy Revenue Enhancements	B	76	67	37	38	39	40	41	42	382	43	44	470
Bonds	Issue	300	0	250	250	200	200	200	200	1,600	200	200	2,000
Less: Debt Service	\$2,000 C	(6)	(12)	(22)	(42)	(60)	(76)	(92)	(108)	(419)	(124)	(140)	(684)
Net Bond Proceeds	Bonds	294	(12)	228	208	140	124	108	92	1,181	76	60	1,316
Net new cash inflows to SHF		\$ 370	\$ 55	\$ 376	\$ 505	\$ 464	\$ 461	\$ 457	\$ 454	\$ 3,142	\$ 451	\$ 449	\$ 4,043
Aggregate Debt Service		\$ 184	\$ 184	\$ 186	\$ 197	\$ 221	\$ 196	\$ 182	\$ 262		\$ 278	\$ 292	
Debt Service to ATAR	D	13.7%	14.5%	14.5%	14.0%	14.8%	12.7%	11.6%	16.4%		17.0%	17.6%	
Total Debt Outstanding	E	\$ 1,782	\$ 1,672	\$ 1,811	\$ 1,946	\$ 2,013	\$ 2,112	\$ 2,229	\$ 2,273		\$ 2,304	\$ 2,323	
Percentage of T-LINK Gap Met										72.79%			70.36%
Percentage of Modernization, Expansion, Modes & Local Gap Met										68.60%			65.15%

- A Special City and County Highway Fund (SCCHF) and State Highway Fund (SHF) currently receive 33.63% & 66.37% respectively of MFT.
- B Policy Revenue Enhancements include the repayment of SGF loan, primary seatbelt law passed and no continued funding of the KHP.
- C Annual debt service is 5% on Build America Bonds during the first 10 years and 8% on all other new debt. Bonds are assumed to be issued at mid-year.
- D ATAR is Adjusted Total Agency Revenues which excludes bond proceeds, SCCHF revenues, and extraordinary cash receipts.
- E The highest debt issuance authority was granted to the SHF during the 2002 legislative session at a level of \$1,975. The maximum amount of SHF debt outstanding was \$1,890 at December 31, 2004.
- F As an internal policy matter, 1.5% of ATAR will be used toward debt issuance for emerging economic opportunities.

Prepared by: KDOT Office of Financial & Investment Management

Funding Supplement

With Surrounding State Comparisons



Special Committee on
Transportation 2009

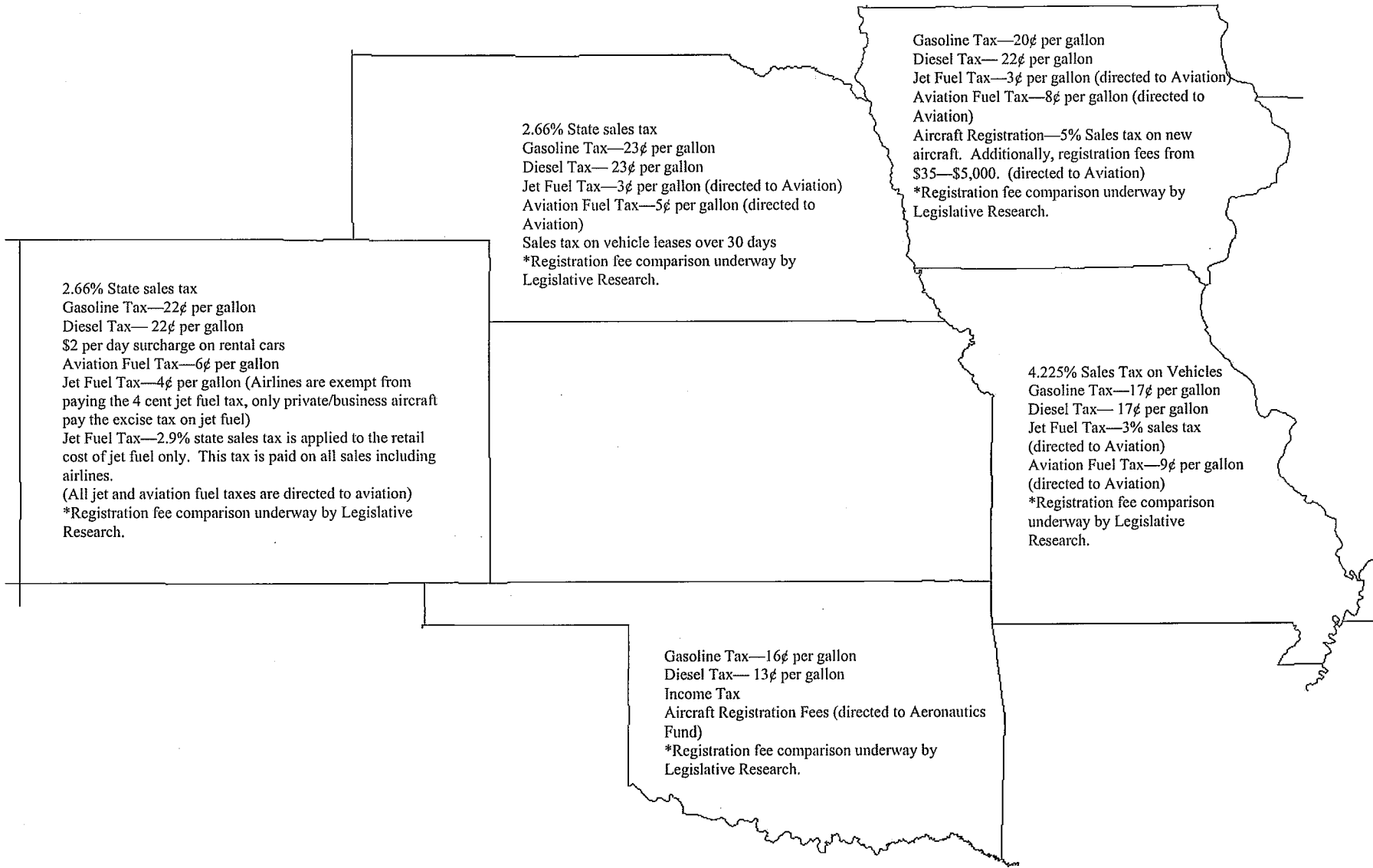
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Surrounding States Transportation Funding Comparison

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Transportation Policy Funding Menu

All numbers in millions.

	<u>Average</u> <u>Annual</u>	<u>FY 2011 to</u> <u>FY 2020 total</u>
Transfers Out		
Kansas Highway Patrol transfer (FY 2010 = \$36 Million)	40	400
Revenue		
SGF Loan Repayment (2 years)	31	61
Passage of Primary Seatbelt Law (1 time)	11	11
Net Savings to State Highway Fund in Millions		\$ 472

2-4

Transportation Funding Menu

<u>Description:</u>	<u>Variable Unit:</u>	<u>Resulting Net Annual Incremental Revenue:</u>
Motor Fuel Gallon Tax	\$0.01	\$17MM
Car & Light Duty Vehicle Registration Fees	\$10	\$25MM
Truck Registration Fees	\$100	\$16MM
Bond Capacity Under Current Revenues	Debt Service at 18% of ATAR	\$100MM
Increase Level of Sales Tax Deposit to SHF	0.10%	\$41MM
Sales Tax on Motor Fuels (\$2.50/gallon)	5.3%	\$230MM
Vehicle Miles Traveled	1¢ per mile	\$295MM
Per Ton Tax for Highway	\$0.01	\$5.3MM
Per Ton Tax for Rail	\$0.01	\$2.7MM
Kansas Highway Patrol Speeding Tickets	\$20 per ticket	\$1.6MM
Adding a Surcharge on New Car Sales	\$10	\$1.15MM
Adding a Surcharge on Rental Cars	0.10%	\$100K
Jet Fuel Tax - Remove Exemption from Interstate Commerce (Potential T-Link Rec. for Aviation)	5.30%	\$11MM
Aviation Gasoline Tax	5.30%	\$2MM
Sales Tax Generated on Bicycle Sales dedicated to SHF	5.30%	\$3MM
Adding a Surcharge on Real Estate transactions	0.01%	\$2MM
Aircraft Registration	\$60	\$240K
Local Motor Fuel Tax Option	\$0.01	\$17MM
Reallocation of Motor-Carrier Corporate Tax	10% of Corp. Income Tax	\$750K
Reallocation of Railroad Corporate Tax	10% of Corp. Income Tax	\$550K
Adding a Surcharge to KTA Tolls	10%	\$8MM
Broadening of the States Tax Base	1% Reduction in Exemptions	\$41MM
Dedicate a Portion of Gaming Revenues	10%—25%	TBD
Partial Removal of Tax Exemption on Exempt Real Estate	0.10%	\$686K
Tolling of Additional Roads	Requires Further Study	
Indexing Motor Fuels Tax	\$1 Billion in new revenue over 10 years	
Per Bushel Tax on Grain	\$0.01	\$11.5MM
Passenger Car Entrance Fee	Requires Further Study	

2-5

Motor Fuel Gallon Tax

\$0.01 per gallon - \$17 Million

Considerations

- Traditional State Highway Fund revenue source.
- User fee.
- As vehicles become more fuel efficient revenues will decline and purchasing power will continue to erode.

Review of Surrounding States' Policies

All surrounding states use a motor fuel gallon tax to support transportation infrastructure. The federal government also uses this type of tax to fund highways.

2-6

Car & Light Truck Registration Fees

\$10 per vehicle - \$25 Million

Considerations

- User Fee.
- Traditional State Highway Fund revenue source.

Review of Surrounding States' Policies

Legislative Research to provide this information.

2-7

Truck Registration Fees

\$100 per Truck - \$16 Million

Considerations

- User Fee.
- Traditional State Highway Fund revenue source.

Review of Surrounding States' Policies

Legislative Research to provide this information.

2-8

18% Debt Service Cap

Bonding Capacity Under Current Revenues - \$1 Billion

Proposed Policy: Rather than authorize a specific amount of debt, an alternative is that the legislature impose a debt service to revenue restriction. This restriction would allow the Agency to issue debt so long as the SHF's total annual debt service expense does not exceed 18% of Adjusted Total Agency Revenues (ATAR). ATAR includes all annual agency revenues less extraordinary cash inflows and Special City and County Highway Funds.

Considerations

- **Flexibility:** The policy would offer the Agency flexibility in the timing of debt issuance allowing for unanticipated economic development projects to be undertaken that may not otherwise receive funding due to the absence of issuance authority.
- **Planning:** Relating future debt service to revenues will require the Agency to follow a long-term planning horizon. Though the Agency currently plans on this horizon, the legislatively imposed requirement to do so will provide investors with further assurance and positively influence the Agency's cost of borrowing.
- **Active Management:** The policy would enable the Agency to more efficiently manage its debt portfolio by timing debt issuances when market conditions are most desirable or when unforeseen emerging needs occur.

Review of Surrounding States' Policies

Missouri currently manages their Highway Debt not to exceed 20% of the annual total road and bridge fund. Research is currently underway to determine debt management policies of other state DOTs.

Increase Level of Sales Tax Deposit to Highway Fund

0.01% - \$41 Million

Considerations

- Traditional State Highway Fund revenue source.

Review of Surrounding States' Policies

- Nebraska funds transportation through a sales tax deposit.
- Missouri uses sales tax on motor vehicle purchases to fund transportation.
- Iowa, Oklahoma and Colorado do not use sales tax to fund transportation.

2-10

Sales Tax on Motor Fuels

5.3% - \$230 Million

(if average price equals \$2.50/gallon)

Considerations

- Sales tax on motor fuels would require the Department of Revenue to develop new procedures and processes because motor fuel is currently taxed at the first point of distribution not at the point of final sale.
 - If the tax is applied at the first point of distribution there are 2 options for applying a sales tax:
 - create a retail or wholesale price for purposes of calculating the amount of sales tax; or
 - base the tax on the actual wholesale price.
 - Current law would divide this between the State General Fund and the State Highway Fund (SHF) and therefore would have to be amended to direct all sales tax on motor fuels to the SHF.
 - Research provided by the Department of Revenue indicates that applying sales tax to fuels is possible but would require new software to be installed on all pumps around the state.
- * A procedural/legal question will need to be addressed on whether the sales tax can or should be applied on either the federal or state motor fuel excise taxes.

Replacement of Motor Fuel Tax by Sales Tax

The imposition of sales tax on motor fuel could be substituted for a portion of the current motor fuel tax rate if the entire sales tax were directed to the SHF.

- Currently, a penny of gas tax produces \$17 million therefore we could reduce the motor fuel tax on gasoline between 13 and 14 cents per gallon and hold the SHF revenue neutral.
- If the motor fuel tax on gasoline is replaced by sales tax, the amount of money currently distributed to cities and counties through the Special City & County Highway Fund (SCCHF) would decrease. In order to hold the cities and counties harmless either a portion of the sales tax would need to be distributed through the SCCHF or the amount of motor fuel tax allocated to the fund would need to increase.

Special Considerations of Sales Tax on Special Fuels (Diesel)

- Currently, truckers are effectively taxed on diesel where they consume the fuel, not where they buy it. Truckers pay or are rebated tax differences between the point of purchases and the reported point of consumption through the International Fuel Tax Agreement (IFTA).
- Since sales tax is generally applied at the point of sale, the application of the sales tax on all diesel fuel purchased in Kansas, might affect the purchase decision of truckers who could choose to purchase the fuel in other states.
- An alternative would be to apply a sales tax equivalent at the wholesale level which could be handled within IFTA.

Review of Surrounding States' Policies

No surrounding states apply sales tax to motor fuel. Nationwide, six states use a standard sales tax on motor fuel including: California, Hawaii, Illinois, Indiana, Michigan and Virginia. Some states do apply sales tax on top of state and federal excise taxes. Some states do have local sales tax applied and some states do not.

2-11

Vehicle Miles Traveled Tax

\$0.01 per mile - \$295 Million

Considerations

- Is currently only being tested in a few areas.
- There would be a high implementation cost because it requires GPS technology in all vehicles to receive reliable data.
- Implementation would require fleet turnover which takes years.
- Experts agree that Vehicle Miles Traveled Tax (VMT) will be the “tax of the future”, however they agree that it will take at least 5 to 10 years before it can be widely implemented.
- Use of a VMT tax will likely be done at the federal level first because of the complications associated with implementation.

Review of Surrounding States' Policies

No surrounding states use a vehicle miles traveled tax.

Per Ton Tax for Highway

\$0.01 per ton - \$5.3 Million

<u>Type of Traffic</u>	<u>Tons</u> <small>(based on 2006 estimates)</small>
Intrastate	409,000
Originates or Terminates in Kansas	72,040,000
Through	456,182,000
Total	528,631,000

Considerations

- There is currently no system in place to collect this type of tax.
- Implementing and collecting this type of tax could be expensive.
- This type of tax could encourage through traffic to divert traffic through other states.
- User fee.

Review of Surrounding States' Policies

Currently, no surrounding states place a tax on truck freight.

Per Ton Tax for Rail

\$0.01 per ton - \$2.7 Million

<u>Type of Traffic</u>	<u>Tons</u> <small>(based on 2006 estimates)</small>
Intrastate	85,527,000
Originates or Terminates in Kansas	134,399,000
Through	47,892,000
Total	267,818,000

Considerations:

- There is currently no system in place to collect this type of tax.
- Implementing and collecting this type of tax could be expensive.
- This type of tax could encourage through traffic to divert traffic through other states.
- This type of tax could discourage intermodal facilities within the state.

Review of Surrounding States' Policies

Currently, no surrounding states place a tax on rail freight.

2-14

Surcharge on Highway Patrol Speeding Tickets

\$20 per ticket - \$1.6 Million

Considerations

- Speeding Tickets are traditionally a State General Fund revenue source.
- User fee.

Review of Surrounding States' Policies

Currently, no surrounding states levy a surcharge on speeding tickets directed to transportation.

2-15

Surcharge on New Car Sales

\$10 per car - \$1.15 Million

Considerations

- There is currently no system in place to collect this type of tax.
- User fee.

Review of Surrounding States' Policies

Currently, no surrounding states levy a surcharge on new car sales directed to transportation.

Surcharge on Rental Cars

1.0% - \$1 Million

Considerations

- Could be implemented at a percent of rental price or a flat fee per day.
- User fee.

Review of Surrounding States' Policies

- In 2009, Colorado added a \$2 daily surcharge on rental cars.
- Iowa charges a tax of 5% on the rental price of a rental transaction. The funds are directed to a Statutory Allocations Fund from which they are ultimately used to fund transportation (make their way to the Road Use Tax Fund).
- Nebraska began collecting sales tax on the lease of vehicles (30 days or longer) which is distributed by their traditional sales tax formula, in which a percentage goes to transportation.
- Oklahoma does not collect a surcharge on rental vehicles.
- Other states' policies:
 - Louisiana in 2008 directed sales taxes on motor vehicle leases and rentals to transportation.
 - Maine in 2008 assigned half the tax revenue from rental of a vehicle for less than a year to the transit, aviation, and rail fund.

Removal of Exemption on Jet Fuel and Aviation Gasoline

5.3% - \$10.7 Million

Jet fuel is highly purified kerosene used by commercial planes and private jet planes. Aviation gasoline is essentially unleaded gas, with a higher octane level used in propeller planes.

Considerations

- Removal of exemption on jet fuel may violate the Interstate Commerce Act.
- Currently there is no system in place to collect tax on jet fuel.
- Aviation fuel tax is traditionally a State General Fund revenue source.
- User fee.

Review of Surrounding States' Policies

- Missouri applies a 3% state sales tax to jet fuel (diesel/kerosene) and 9 cent per gallon tax to aviation gasoline. All aviation fuel taxes are directed to aviation.
- Iowa applies an 8 cent per gallon tax to aviation gasoline and a 3 cent per gallon tax to jet fuel. These taxes are deposited in the State Aviation Fund where they are used for aviation improvement throughout the state.
- Colorado collects a per cent tax on both aviation gasoline and jet fuel. A 6 cent per gallon fee is collected on aviation gasoline and 4 cents per gallon on jet fuel. Airlines are exempt from paying the 4 cent jet fuel tax, only private/business aircraft pay the excise tax on jet fuel. Additionally, a 2.9% state sales tax is applied to the retail cost of jet fuel only. This tax is paid on all sales including airlines. All aviation fuel taxes are directed to the Colorado Aviation Fund which supports aviation infrastructure throughout the state.
- Nebraska collects a 3 cent per gallon tax on jet fuel and 5 cents per gallon aviation fuel. This is solely for the purpose of funding the Department of Aeronautics.
- Oklahoma collects a per cent tax on both aviation gasoline and jet fuel. A 16 cent per gallon fee is collected on aviation gasoline and 13 cents per gallon on jet fuel.

2-18

Sales Tax on Bicycle Sales directed to Highway Fund

5.3% - \$3.0 Million

Considerations

- Traditional State General Fund revenue source.
- There is currently no system in place to direct this type of tax to the Highway Fund.
- Would require a change to the tax code.
- Estimates could be inaccurate because currently there is no mechanism in place to track bicycle sales.
- User fee.

Review of Surrounding States' Policies

Currently, no surrounding states levy direct the sales tax from bicycle sales to fund transportation.

Surcharge on Real Estate Transactions

0.01% - \$17 Million

Considerations

- There is currently no system in place to collect this type of tax.
- Not related to transportation.

Review of Surrounding States' Policies

Currently, no surrounding states levy a surcharge on real estate transactions directed to transportation.

2-20

Aircraft Registration Fees

\$60 per Aircraft - \$240,000

Considerations

- There is currently no system in place to collect this type of tax.
- User fee.

Review of Surrounding States' Policies

- Iowa collects a use tax of 5% on the purchase price of new aircraft. Additionally, the state charges registration fees between \$35 and \$5,000 for aircraft. These funds are dedicated to the improvement of aviation in the state.
- Missouri, Colorado and Nebraska do not impose aircraft registration fees.
- Oklahoma collects a total of \$441,000 in aircraft registration fees. There is also an aircraft excise tax applied which raises just over \$4 million. Nearly all aircraft related fees and taxes are directed to the Aeronautics Fund.

2-21

Local Motor Fuel Option Tax

Revenue would vary

Considerations

- There is currently no system in place to collect and distribute this type of tax.
- User fee.
- Would provide local units of government additional flexibility in funding transportation projects.

Review of Surrounding States' Policies

No surrounding states allow a local motor fuel option tax.

2-22

Reallocation of Motor-Carrier Corporate Tax

10% of Corporate Income Tax - \$750,000

Considerations

- There is currently no system in place to collect this type of tax.
- User fee.

Review of Surrounding States' Policies

No surrounding states currently use motor-carrier corporate tax to fund transportation.

2-23

Reallocation of Railroad Corporate Tax

10% of Corporate Income Tax - \$550,000

Considerations

- There is currently no system in place to collect this type of tax.
- User fee.

Review of Surrounding States' Policies

No surrounding states currently use railroad corporate tax to fund transportation.

2-24

Adding a Surcharge to Kansas Turnpike Authority Tolls

10% Additional Toll - \$8 Million

Considerations

- There is currently no system in place to collect this type of tax.
- The Kansas Turnpike Authority is a separate entity not owned by the State of Kansas.
- A surcharge could violate bond indentures stating that no liens may be applied that would direct monies away from bond debt service.
- User fee.

Review of Surrounding States' Policies

No surrounding states currently toll a road owned by a separate, free-standing entity to fund transportation.

Broadening of State's Sales Tax Base

1% Reduction in Exemptions - \$41 Million

Considerations

- Many exemptions not related to transportation.

Review of Surrounding States' Policies

No surrounding states have recently repealed sales tax exemptions for the purpose of funding transportation.

TOP 10 KANSAS SALES TAX EXEMPTIONS	Amount in Millions
Property which becomes an ingredient or component part of property or services produced or manufactured for ultimate sale at retail.	\$2,172
Property or services purchased by state of Kansas, political subdivisions, nonprofit hospitals or blood/don or banks.	\$320
Property consumed in the production, manufacturing, processing, mining, drilling, refining or compounding of property; or irrigation of crops for ultimate sale at retail.	\$285
Motor fuels and items taxed by sales or excise tax (\$3/gallon, FY08 sales).	\$282
Labor services of installing or applying property in original construction of a building or facility or the construction, reconstruction, restoration, replacement or repair of a residence, bridge or highway.	\$176
Sales of animals, fowl, aquatic plants, and animals used in agriculture or aquaculture, for production of food for human consumption, the production of animal, dairy, poultry, or aquatic products, fiber or fur or the production of offspring.	\$160
Property or services purchased by contractor for building or repair of buildings for nonprofit hospital, elementary or secondary schools or nonprofit educational institutions, and for state correctional institutions.	\$115
Machinery and equipment used directly and primarily in the manufacture, assemblage, processing, finishing, storing, warehousing or distributing of property for resale by the plant or facility.	\$112
Sales of natural gas, electricity, heat and water delivered through mains, lines or pipes to residential premises for noncommercial use, for agricultural use (to include propane gas), for use in serving oil and any property exempt from property taxation.	\$105
Sales of prescription drugs.	\$70

2-26

Dedicate a Portion of Gaming Revenues

To Be Determined

Considerations

- Not related to transportation.

Review of Surrounding States' Policies

No surrounding states have dedicated a portion of their gaming revenues to fund transportation.

2-27

Partial Removal of Tax Exemption on Exempt Real Estate

0.10% Removal of Exemption - \$686,000

Considerations

- Not related to transportation.

Review of Surrounding States' Policies

No surrounding states have removed tax exemptions on exempt real estate for the purpose of transportation funding.

2-28

Tolling of Additional Roads

Requires Further Study

Considerations

- User fee.
- Requires further study on specific routes.
- Low daily traffic on most roads in Kansas make tolling difficult.
- Federal law currently prohibits states from tolling interstates unless the revenues are used to make repairs to the route being tolled.
- Transportation Secretary, Ray LaHood, has stated that he does not support tolling existing interstate highways, although he is open to the idea of tolling new lanes.
- Current law as set forth in 23 USC 301 generally provides that, subject to a few exceptions, federal highways "shall be free from tolls of all kinds".

Review of Surrounding States' Policies

No surrounding states have tolled existing roads for the purpose of statewide transportation funding. Tolling existing roads in states around the country has been met with significant opposition. Few states have successfully completed the transition and, in fact, Virginia is currently involved in a lawsuit over the Dulles Toll Road. Pennsylvania is undergoing its second attempt to gain approval from the Federal Highway Administration to toll I-80. Texas has recently banned tolling on all existing freeways. While tolling is increasingly being looked at as a funding option both at the state and federal level, studies must be done to determine the viability on each road under consideration.

2-29

Indexing Motor Fuel Tax

Dependent upon Inflation

Considerations

- User fee.
- Indexing has the power to help the State Highway Fund (SHF) maintain its purchasing power. Currently, State Highway Fund revenues are estimated to increase at 1.4% per year while inflation is projected at 4%.

Application in Kansas

Indexing to the CPI

Kansas could index motor fuel tax to a published index such as the Consumer Price Index (CPI) and, in fact, has done so in the past. Indexing to a published index such as the CPI has several advantages. It is a known index that taxpayers trust. It is not highly volatile; generally changes in the CPI are more gradual than some other indices more closely tied to construction or energy prices.

Indexing to the Wholesale Price of Fuel

Indexing to the Wholesale Price of Fuel allows the State Highway Fund to capture revenues as the price of fuel increases. In states that index to the wholesale price of fuel the Department of Revenue, or equivalent, sets the average wholesale price of fuel for a 6 month or 1 year period, thus setting the tax rate. In Kansas, only the Legislature has the authority to set tax rates and thus, the wholesale price of fuel would have to be undertaken by legislative action each year.

Review of Surrounding States' Policies

- No surrounding states currently index motor fuel tax.
- Kansas law required indexing from 1983 to 1989 however, it never triggered an increase.
- Maine and Florida index motor fuel to the Consumer Price Index.
- Kentucky, North Carolina and West Virginia index motor fuel to the average wholesale price of fuel.

2-30

Per Bushel Tax on Grain

\$0.01 Per Bushel - \$11.5 Million

Considerations

- There is currently no system in place to collect this type of tax.

Review of Surrounding States' Policies

No surrounding states use a bushel tax on grain to fund transportation.

2-31

Passenger Car Entrance Fee

Requires Further Study

Rep. Worley asked KDOT at the second meeting of the Special Interim Committee on Transportation to investigate a plan that would apply an "entrance fee" to out-of-state passenger vehicles as they enter Kansas at approximately 5 locations around the state.

Considerations

- Providing an accurate estimate of what this plan would raise is not possible because out of state traffic is not tracked.
- It is assumed that if there were only a few places where this fee was collected it would encourage a high amount of diversion to surrounding roads.
- Could potentially discourage tourism.
- This plan would be a user fee for out of state users of the transportation infrastructure.

An Alternative

An alternative to the entrance fee plan discussed above that would charge out of state users of the transportation infrastructure would be to increase the motor fuel gallon tax and provide a rebate to Kansas citizens. (Constitutionality remains an open question.)

Review of Surrounding States' Policies

No other states currently use a passenger car entrance fee.

Summary of FY 2010 & 2011 Expected Reductions to the State Highway Fund

State Highway Fund Revenue Adjustments	FY 2010	FY 2011
Losses in Motor Fuel Tax Receipts; Motor Vehicle		
Registration Fees; State Sales Tax	-\$52 M	-\$51 M
SGF Loan Repayment	-\$31 M	-\$31 M
Continue Funding the General Fund Portion of KHP	-\$36 M	-\$33 M
SGF CTP Debt Service Transfer	-\$25 M	-\$25 M
SCCHF Transfer	-\$5 M	-
Governor's Allotments - 1st Round	-\$30 M	-
Governor's Allotments - 2nd Round	-\$50 M	-
Total	-\$229 Million	-\$160 Million

Prepared for the Interim Committee on Transportation, 1/4/2010.

Special Committee on
Transportation 2009

1/4/10
Attachment 3

THE KANSAS CONTRACTORS ASSOCIATION, INC.

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TOPEKA KS 66605-0061



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Testimony

By the Kansas Contractors Association

before the Interim Transportation Committee regarding

Design Build

January 4, 2010

Mr. Chairman and members of the Interim Transportation 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 thank you for allowing me to testify in opposition to the proposal mentioned in this morning's meeting regarding Design Build.

Our organization is opposed to this type of bid procurement procedure as we believe it could allow favoritism to possibly exist. For almost 90 years, KDOT has used almost exclusively the low bid approach in letting transportation projects.

To our knowledge, it has worked quite well and we do not see any reason to change it.

Special Committee on
Transportation 2009
1/4/10
Attachment 4

According to the Federal Highway Administration, surrounding states seem to agree as Iowa, Arkansas, Oklahoma and Nebraska do not allow Design build to be used in bidding on transportation work.

In addition, our members have told me that Design Build procurement procedures are not necessary in Kansas. KDOT normally keeps projects small enough for Kansas companies to bid on so that Kansas citizens are employed and that Kansas companies pay taxes in Kansas. If for some reason, KDOT would put together a large project that would allow Design build, then many Kansas companies would not be able to bid on the work and out of state contractors and employees would come in and reap the benefits of a road program is designed to help the Kansas economy.

In the 1999 Transportation program, there was one demonstration project attempted in Franklin county which employed elements of the Design build concept. Four companies bid on the work for a project that was to be guaranteed for a certain number of years and was to be completed in a short period of time. In the final project, KDOT negotiated a different agreement shortening the time needed for the road to be guaranteed and increasing the amount of time needed to do the job. The company that finally got the job has since gone out of business while the other three who bid on the job thought it was handled incorrectly. It was a small 8 mile project and ended up being negotiated work instead of low bid allowing one company to get a better deal than the others.

Bottom line, we have grave concern that there is too much of an opportunity to do something illegal. In the lowest, competitive bid approach, our members are on the same playing field. The public is guaranteed the lowest price for the work being done. Under

4-2

the design build process, it is not always the lowest price that is selected. Some times it is based on subjective data and information and left up to the discretion of a select few. That could mean in Kansas that those who have the most political clout could get to do all the projects in the state.

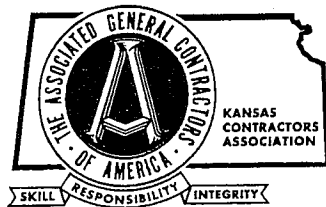
There just seems to be too many pitfalls and for the previous reasons mentioned, we oppose the legislation. I have attached a letter to this testimony from our board president, Kip Spray who outlines additional reasons why our organization is opposed to this procurement procedure.

I will be glad to stand for questions.

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December 30, 2009

Senator Dwayne Umbarger
Chairman of the Senate/House Interim Transportation Committee
1585 70th Road
Thayer, Kansas 66776

Dear Chairman Umbarger:

The Kansas Contractors Association is quite pleased the Senate and House interim committee is considering the funding of a new ten-year transportation program for the state of Kansas. Considering the present economy and the impact the past two transportation programs have had on Kansas, our members can only hope another program will be implemented as soon as possible so as to provide necessary jobs and economic benefits to the state of Kansas.

The past two transportation programs have been very successful for a variety of reasons including but not limited to the competition amongst contractors for the work being let. Our association strongly supports the present bid procurement procedure in which the lowest and best bid is accepted by KDOT ensures the taxpayers get the best "bang" for its buck. Such a procedure when it applies to ~~transportation projects eliminates favoritism and encourages fair dealing among all those involved.~~

~~In addition, the Kansas Contractors Association urges you and your committee to encourage the~~
Kansas Department of Transportation to keep projects under a certain dollar size so as to promote and create competition and participation by a majority of Kansas contractors. Only a few Kansas Contractors can bid on projects in excess of \$35 million dollars and by keeping projects below that amount, it would ensure the opportunity for Kansas contractors to have the lowest bid. In turn those Kansas contractors would employ Kansans and pay taxes in Kansas helping to ensure the economic viability to our neighbors.

Our members work in all 105 counties and know the importance of a fair and equitable playing field and look forward to working with KDOT on the next program. Again, we appreciate your efforts to get another economic program put in place and will be glad to help whenever necessary.

Sincerely yours,

Orville O. Spray Jr., President

H-H

Summary of Funding Scenarios

	Sales Tax on Motor Fuel Delayed Program beginning 1/1/2013	Increase & Indexing of Motor Fuel Tax Delayed Program beginning 1/1/2013
Motor Fuel Tax	-5¢	7¢
Indexing Motor Fuel Tax	NO	YES (+8.2¢)
Car Registration	\$20	\$20
Truck Registration	\$100	\$100
Sales Tax on Fuel	YES	NO
Bonds Issued	\$2.0B	\$2.0B
KDOT New Revenue	\$4.0B	\$3.6B
% of KDOT's T-LINK Rec Funded	70%	63%
SCCHF Net Difference	-\$235M	\$139M
City and County Sales Tax on Fuel Revenue	\$619M	N/A
City and County New Revenue Total*	\$384M	\$139M
Total New Revenue	\$4.4B	\$3.73B

* Local Partnership Programs such as KLINK, GI, CCL, ED and Priority Road Network are included in the KDOT administered programs and thus reflected under "KDOT New Revenue"

All Scenarios Assume:

- 100% of Preservation needs are funded
- 18% Bonding Cap in place
- Federal Funding remains flat at SAFETEA-LU levels
- KDOT does NOT continue to pay the SGF portion of the Kansas Highway Patrol
- Repayment of the remaining SGF loan
- Primary Seatbelt Law passes

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Attachment 5

Traditional Program Expenditure Gap Chart Recommended Lettings

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Prepared for the Interim Special Committee on Transportation - January, 2010

All amounts in millions, unless otherwise noted

Letting Amounts (For State Fiscal Year)	2011	2012	2013	2014	2015	2016	2017	8 yr Program 2018	2019	10 yr Program 2020	Total
Under Current Revenues											
CTP Lettings	-	-	-	-	-	-	-	-	-	-	-
Major Mod	112	70	-	-	-	-	-	-	-	-	182
Preservation	215	232	330	334	391	416	440	426	382	420	3,586
Total	327	302	330	334	391	416	440	426	382	420	3,768
T-LINK Recommendations											
Preservation - Pay As You Go (1R)	194	201	208	215	223	233	243	254	265	277	2,313
Pay as you go Preservation Gap	133	101	122	119	168	183	197	172	117	143	1,455
Heavy Preservation (Reconstruction and Priority Bridge)	194	201	208	215	223	233	243	254	265	277	2,313
Heavy Preservation Gap	(61)	(100)	(86)	(96)	(55)	(50)	(46)	(82)	(148)	(134)	(858)
Modernization	46	37	39	40	41	43	45	47	49	51	429
GAP - In Aggregate	(97)	(137)	(125)	(136)	(96)	(93)	(91)	(129)	(197)	(185)	(1,287)
Expansion	300	311	321	333	344	360	376	393	411	429	3,577
GAP - In Aggregate	(397)	(448)	(446)	(469)	(441)	(453)	(467)	(522)	(608)	(614)	(4,864)
New Modes	20	21	21	22	23	24	25	26	27	29	238
GAP - In Aggregate	(417)	(468)	(467)	(491)	(464)	(477)	(492)	(548)	(635)	(643)	(5,102)
Local - Includes Priority Road Network, ED, KLINK, CCL, and GI	54	56	58	60	62	65	68	71	74	77	644
GAP - Annual Cumulative	(471)	(524)	(525)	(551)	(525)	(542)	(560)	(619)	(709)	(720)	(5,746)
Running Total Aggregate Gap	(471)	(995)	(1,521)	(2,071)	(2,597)	(3,138)	(3,698)	(4,317)	(5,026)	(5,746)	
Program Average Annual Gap Without Increase to SCCHF								540		575	
SCCHF GAP From Additional Recommended Lettings	28	28	28	28	28	28	28	28	28	28	280

Cumulative Gap

Future Federal Reimbursements at current SAFETEA-LU level.
 Inflation factor of 3.5% in FY2011-2015 and 4.5% in FY2016-2020.
 Continue to pay the SGF portion of the Kansas Highway Patrol.
 No repayment of the remaining SGF loan.
 No allotments have been included for FY2010-2011.
 Retain the VIPS surcharge starting January 1, 2013.



TWORKS

TRANSPORTATION WORKS FOR KANSAS
Jobs ■ Safety ■ Economic Development

REVENUE SCENARIO:
7¢ Statutory MFT Increase, 8.2¢ MFT Increase Due to Indexing to the CPI, \$20 Car Reg. Increase, \$100 Truck Reg. Increase, Policy Revenue Enhancements and Bond \$2,200MM

*Note: SCCHF receives \$139M in new revenue.

Increase & Indexing of Motor Fuel Tax Delayed Program beginning 1/1/2013

8-5

Amounts in millions, unless otherwise noted
Federal aid held constant at Fiscal Year 2009 SAFETEA-LU level.

Annual Incremental Revenue					
Funding Source	Unit Increment	Marginal	Current Kansas Rate	National Average	Regional Average
		Revenue to Agency			
Motor Fuel Tax	\$0.01	\$17 million	\$0.25	\$0.28	\$0.27
Car Registration	\$1	\$2.48 million	\$35	\$50	\$55
Truck Registration	\$1	\$0.16 million	\$1,770	\$1,675	\$2,072
Sales & Use Tax	\$0.001	\$41 million	5.3%*	5.09%	5.55%

* State Highway Fund currently receives 13/106ths of the 5.30%, the equivalent of a 0.65% tax rate.

Fiscal Year	Rate Increase	2011 - 2018								8 Year	2019 - 2020		10 Year
		2011	2012	2013	2014	2015	2016	2017	2018	Total	2019	2020	Total
MFT per gal. (cents)	\$0.070	-	-	0.04	0.03	-	-	-	-	-	-	-	-
New MFT		\$ -	\$ -	\$ 30	\$ 95	\$ 129	\$ 131	\$ 133	\$ 134	\$ 652	\$ 136	\$ 138	\$ 926
Increase Due to Indexing	\$0.082	\$ -	\$ -	\$ 1	\$ 9	\$ 25	\$ 46	\$ 71	\$ 94	\$ 246	\$ 119	\$ 147	\$ 512
Less: MFT to SCCHF	A	-	-	(11)	(19)	(19)	(19)	(18)	(18)	(102)	(18)	(19)	(139)
Net MFT to SHF		-	-	20	85	135	158	186	210	796	237	266	1,299
Car Reg. fee (dollars)	20	-	-	10	10	-	-	-	-	-	-	-	-
Truck Reg. fee (dollars)	100	-	-	50	50	-	-	-	-	-	-	-	-
New Revenue		-	-	19	55	72	73	75	76	369	77	79	525
Net New Revenue		-	-	39	140	207	232	260	286	1,165	314	345	1,824
Policy Revenue Enhancements	B	76	67	37	38	39	40	41	42	382	43	44	470
Bonds	Issue	300	0	250	250	200	200	200	200	1,600	200	200	2,000
Less: Debt Service	\$2,000	C (6)	(12)	(22)	(42)	(60)	(76)	(92)	(108)	(419)	(124)	(140)	(684)
Net Bond Proceeds	Bonds	294	(12)	228	208	140	124	108	92	1,181	76	60	1,316
Net new cash inflows to SHF		\$ 370	\$ 55	\$ 305	\$ 386	\$ 386	\$ 396	\$ 409	\$ 421	\$ 2,728	\$ 433	\$ 449	\$ 3,610
Aggregate Debt Service		\$ 184	\$ 184	\$ 186	\$ 197	\$ 221	\$ 196	\$ 182	\$ 262		\$ 278	\$ 292	
Debt Service to ATAR	D	13.7%	14.5%	15.3%	15.3%	15.6%	13.3%	12.0%	16.7%		17.2%	17.5%	
Total Debt Outstanding	E	\$ 1,782	\$ 1,672	\$ 1,811	\$ 1,946	\$ 2,013	\$ 2,112	\$ 2,229	\$ 2,273		\$ 2,304	\$ 2,323	
Percentage of T-LINK Gap Met										63.20%			62.83%
Percentage of Modernization, Expansion, Modes & Local Met										57.53%			56.30%

A Special City and County Highway Fund (SCCHF) and State Highway Fund (SHF) currently receive 33.63% & 66.37% respectively of MFT, this proportion would change to ensure the percentage of the T-LINK gap met for both KDOT and the SCCHF remains the same (in this scenario approximately 65%).

B Policy Revenue Enhancements include the repayment of SGF loan, primary seatbelt law passed and no continued funding of the KHP.

C Annual debt service is 5% on Build America Bonds during the first 10 years and 8% on all other new debt. Bonds are assumed to be issued at mid-year.

D ATAR is Adjusted Total Agency Revenues which excludes bond proceeds, SCCHF revenues, and extraordinary cash receipts.

E The highest debt issuance authority was granted to the SHF during the 2002 legislative session at a level of \$1,975. The maximum amount of SHF debt outstanding was \$1,890 at December 31, 2004.

F As an internal policy matter, 1.5% of ATAR will be used toward debt issuance for emerging economic opportunities.

Prepared by: KDOT Office of Financial & Investment Management

Prepared for 3rd meeting of the Special Interim Committee on Transportation, 1/4/2010.

Sales Tax on Motor Fuel Delayed Program beginning 1/1/2013

5-4

Amounts in millions, unless otherwise noted
Federal aid held constant at Fiscal Year 2009 SAFETEA-LU level.

REVENUE SCENARIO:
5¢ MFT Decrease, \$20 Car Reg. Increase,
\$100 Truck Reg. Increase, Policy Revenue
Enhancements and Bond 2,100MM
NOTE - Over 7.5 years local sales tax statewide raises \$437M and \$182M on gasoline and diesel, respectively.

Annual Incremental Revenue					
Funding Source	Unit Increment	Marginal Revenue to		National Average	Regional Average
		Agency	Current Kansas Rate		
Motor Fuel Tax	\$0.01	\$17 million	\$0.25	\$0.28	\$0.27
Car Registration	\$1	\$2.48 million	\$35	\$50	\$55
Truck Registration	\$1	\$0.16 million	\$1,770	\$1,675	\$2,072
Sales & Use Tax	\$0.001	\$41 million	5.3%*	5.09%	5.55%

* State Highway Fund currently receives 13/106ths of the 5.30%, the equivalent of a 0.65% tax rate.

Fiscal Year	Rate Increase	2011	2012	2013	2014	2015	2016	2017	2018	8 Year Total	2019	2020	10 Year Total
MFT per gal. (cents)	-\$0.05	-	-	(0.05)	-	-	-	-	-	-	-	-	-
New MFT		\$ -	\$ -	\$ (37)	\$ (91)	\$ (92)	\$ (93)	\$ (95)	\$ (96)	\$ (504)	\$ (97)	\$ (98)	\$ (700)
Less: MFT to SCCHF	A	-	-	13	31	31	31	32	32	170	33	33	235
Net MFT to SHF		-	-	(25)	(60)	(61)	(62)	(63)	(64)	(335)	(64)	(65)	(465)
Car Reg. fee (dollars)	20	-	-	10	10	-	-	-	-	-	-	-	-
Truck Reg. fee (dollars)	100	-	-	50	50	-	-	-	-	-	-	-	-
New Revenue		-	-	19	55	72	73	75	76	369	77	79	525
Sales & Use Tax Rev.		-	-	-	-	-	-	-	-	-	-	-	-
Sales Tax on Motor Fuel		-	-	117	264	275	285	296	308	1,545	320	332	2,196
Net New Revenue		-	-	111	258	285	296	308	320	1,579	332	345	2,257
Policy Revenue Enhancements	B	76	67	37	38	39	40	41	42	382	43	44	470
Bonds	Issue	300	0	250	250	200	200	200	200	1,600	200	200	2,000
Less: Debt Service	C	(6)	(12)	(22)	(42)	(60)	(76)	(92)	(108)	(419)	(124)	(140)	(684)
Net Bond Proceeds	Bonds	294	(12)	228	208	140	124	108	92	1,181	76	60	1,316
Net new cash inflows to SHF		\$ 370	\$ 55	\$ 376	\$ 505	\$ 464	\$ 461	\$ 457	\$ 454	\$ 3,142	\$ 451	\$ 449	\$ 4,043
Aggregate Debt Service		\$ 184	\$ 184	\$ 186	\$ 197	\$ 221	\$ 196	\$ 182	\$ 262		\$ 278	\$ 292	
Debt Service to ATAR	D	13.7%	14.5%	14.5%	14.0%	14.8%	12.7%	11.6%	16.4%		17.0%	17.6%	
Total Debt Outstanding	E	\$ 1,782	\$ 1,672	\$ 1,811	\$ 1,946	\$ 2,013	\$ 2,112	\$ 2,229	\$ 2,273		\$ 2,304	\$ 2,323	
Percentage of T-LINK Gap Met										72.79%			70.36%
Percentage of Modernization, Expansion, Modes & Local Met										68.60%			65.15%

- A Special City and County Highway Fund (SCCHF) and State Highway Fund (SHF) currently receive 33.63% & 66.37% respectively of MFT.
- B Policy Revenue Enhancements include the repayment of SGF loan, primary seatbelt law passed and no continued funding of the KHP.
- C Annual debt service is 5% on Build America Bonds during the first 10 years and 8% on all other new debt. Bonds are assumed to be issued at mid-year.
- D ATAR is Adjusted Total Agency Revenues which excludes bond proceeds, SCCHF revenues, and extraordinary cash receipts.
- E The highest debt issuance authority was granted to the SHF during the 2002 legislative session at a level of \$1,975. The maximum amount of SHF debt outstanding was \$1,890 at December 31, 2004.
- F As an internal policy matter, 1.5% of ATAR will be used toward debt issuance for emerging economic opportunities.

Prepared by: KDOT Office of Financial & Investment Management

**Possible Programmatic Elements of a Transportation Plan
January 4th, 2010**

		Requires Legislative Action	Language contained in HB 2382 or SB 323
Highways	Expanded project selection process		X
	More frequent project selection		X
	Practical improvement approaches		X
	Fully fund preservation needs		
	Increase focus on expansion projects		
Local	Design build contracting	X	
	Local road priority road network	?	
	Federal fund exchange program		
Modes	Transit coordination		
	Revise transit funding formulas		
	Commuter corridor transit program		
	Increase funding for transit program	X	
	Continue and increase short-line rail program	X	
ED	Expand eligibility of short-line rail program	X (2/3 vote?)	
	Increase funding for aviation program	X	
	Expand economic development program		X
Finance	18% Bonding Cap	X	X
	25 year term debt from date of any issue	X	
	Refund principle and interest	X	
	Transportation Economic Development Loans (T-EDL)	X	
	Remove 2020 sunset on MFT	X	
	Remove tolling obstacles	X	



Prepared for the Interim Committee on Transportation, 1/4/2010.

Special Committee on
Transportation 2009

1/4/10
Attachment 6