Dwight D. Eisenhower State Office Building
700 S.W. Harrison Street
Topeka, KS 66603-3745
Mike King, Secretary

Kansas
Department of Transportation
Office of the Secretary

Phone: 785-296-3461
Fax: 785-368-7415
Hearing Impaired - 711
publicinfo@ksdot.org
http://www.ksdot.org
Sam Brownback, Governor

TESTIMONY BEFORE
SENATE WAYS & MEANS COMMITTEE

REGARDING SENATE BILL 498
RELATING TO THE SALE OF SALE OF SURPLUS REAL ESTATE

MARCH 11, 2016

Mr. Chairman and Committee Members:

The Kansas Department of Transportation (KDOT) is providing written testimony for Senate Bill 498 (SB 498), which proposes to establish a process to identify and sell surplus real estate owned by state agencies.

This legislation as written adds a new Section 1 to K.S.A. 75-6609 to establish a process under which the Department of Administration will contract with a project management office to identify and sell surplus real estate of <u>all</u> state agencies from the date of the legislation's publication in the Kansas Register through June 30, 2017. The bill provides that surplus real estate sold under this section during that period of time shall not be subject to appraisal requirements to establish market value, and that such surplus real estate can sold at any price established by the project management office and approved by the Secretary of Administration.

These provisions directly violate federal regulations governing the sale of highway right of way purchased with federal funds. Federal regulations require an appraisal to establish market value of such surplus highway right of way, and further require that any sale of right of way at less than market value must be approved by the Federal Highway Administration (FHWA). In addition, <u>no</u> right of way on interstate highways can be sold without the <u>prior</u> approval of FHWA. Further, proceeds from the sale of federally-funded right of way must be returned to FHWA. Under current practices this is accomplished by the proceeds being placed in the state highway fund for use on future federally-funded projects.

KDOT believes Section 1 of the bill will cause or allow surplus highway right of way purchased with federal funding to be sold in violation of federal regulations described above. Unless either: 1) language is added to exclude the application of new Section 1 to property owned by the Secretary of Transportation, or 2) the contracted project management office complies with all the federal regulations noted previously and the applicable sections of the existing KDOT/FHWA Stewardship Agreement. Violating federal regulations could jeopardize the agency's ability to receive future federal transportation funding. Therefore, KDOT believes option #1 is the best approach based on the information we know currently.

KDOT appreciates the opportunity to provide written testimony to SB 498.