

MINUTES OF THE SENATE TRANSPORTATION COMMITTEE

The meeting was called to order by Chairman Les Donovan at 8:30 A.M. on March 14, 2006 in Room 527-S of the Capitol.

All members were present except:  
Dennis Wilson- excused

Committee staff present:  
Hank Avila, Kansas Legislative Research Department  
Bruce Kinzie, Revisors of Statutes  
Maggie Breen, Committee Secretary

Conferees appearing before the committee:  
Terry Heidner, Director, Division of Planning and Development, KDOT  
Ed McKechnie, WATCO Companies, Inc.  
Bob Alderson, Midstates Port Authority & Kyle Railroad  
Duane Simpson, Kansas Grain and Feed  
Pat Hubbell, Kansas Railroads  
Pat Hurley, Economic Lifelines  
Bob Totten, Kansas Contractors Association

Others attending:  
See attached list.

Chairman Donovan opened the hearing on **HB 2709 - Rail service improvement program, funding.**

Terry Heidner, Director, Division of Planning and Development, KDOT, said the bill pertains to the funding of the short line railroad rehabilitation loan/grant component of the Comprehensive Transportation Fund. Currently the fund receives \$3 million a year through FY 2007. The fund makes available long term (10-yr) loans and grants to be used primarily for track rehabilitation projects. It was anticipated that the program would be primarily a loan program and that by the end of FY 2007 the fund would be self sustaining at \$3 million per year, by way of loan repayments. Due to more money being provided in grants than originally anticipated, the currently projected loan repayment will only sustain the fund at \$1 million. In December 2005 Parsons Brinkerhoff completed a study for KDOT to determine if the program had been a good investment of state dollars and if the program should be continued beyond FY 2007. The answer to both was yes. (Attachment 1)

Chairman Donovan asked why we ended up with more grants issued than anticipated. Mr. Heidner said the primary amount of dollars going to grants was for the purchase of 700 miles of the old CKR line that was going to be abandoned and service completely lost. They helped assist in the purchase of the line. They are back to strictly loans at present.

Ed McKechnie, WATCO Companies, Inc., said they have three railroads in Kansas operating on more than 1,400 miles of light density rail lines. These railroads move, on average, 110,000 rail cars each year. They help keep many cities and counties connected to the national rail network and are an important key to literally thousands of jobs across the state. He said the fund was used when the predecessors of the K&O Railroad considered abandoning the railroad west of Hutchinson. The funds have also been used to upgrade their rail lines and there is a continuing need to do so. He asked for the committee's support of the bill. (Attachment 2)

Bob Alderson, Mid-States Port Authority (MSPA) & Kyle Railroad, said the purpose of the port authority was to preserve rail traffic in north central and northwest Kansas. It has done this primarily with its lease with Kyle. Kyle operates a rail system of 625 miles and employees 77 people year-round.. The preponderance of their business is directly related to agriculture. Today, shortline railroads operate on 1,986 miles of trace, nearly 42% of the state's total railroad miles, and have many rail line segments in need of rehabilitation. Over time, without rehabilitation, those lines will be subject to abandonment. MSPA and Kyle Railroad have benefitted greatly from the fund. In order to maintain rail service in our state it is important that the fund remains available. He urged the committee to pass the bill favorably. (Attachment 3)

## CONTINUATION SHEET

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Duane Simpson, Kansas Grain and Feed, said his organization represents 99% of the commercially licensed grain storage in the state. Their members are the customers of the rail lines. He stressed how important having a viable short line rail system is to his industry. Their members have had a lot of rail abandonment in spite of the program. When this happens, they end up with higher transportation cost, making it much more difficult to make their businesses viable and profitable. This program has help prevent a lot of rail abandonment and keeping the alive will help prevent a lot in the future. ([Attachment 4](#))

Pat Hubbell, Kansas Railroad, said he was representing BNSF Railway, Union Pacific, Kansas City Southern and Watco. The 1980 Staggers Act allowed the railroads, in an effort to try to save off bankruptcy and continue to operate, to spin off some of the marginal short lines, and that's what was done. There's been a tremendous system developed in the last 25 years of short line railroads serving Kansas. He was around when the Rock Island declared bankruptcy in 1979. The line that Mr. Alderson represents was part of that. They had 700 cars that came off the line annually, within 7 or 8 years, there were 14,000 cars coming off of the line to class ones. They are customers of theirs now and make up a tremendous part of their business and allow them to make the investments they are making within their own infrastructure. Last year, they spent over \$200 million on line improvements in Kansas alone and they have similar programs lined up for the next two or three years. He encouraged support of the legislation. ([Attachment 5](#))

Pat Hurley, Economic Lifelines, said the bill extends the Rail Service Improvement Program indefinitely. The committee has heard KDOT testify several times that their latest profile indicates that by the end of FY 2009 they will essentially have a zero balance in their revenue stream for future projects. While the \$3 million annually proposed in the bill is a small amount, it will still have an adverse impact upon KDOT's future flexibility and was not the original intent of the 1999 Comprehensive Transportation Program. He said the program has been a tremendous economic success. He believes the program should be treated as an economic development program and funded as such. He suggested an amendment to do that. ([Attachment 6](#))

Bob Totten, Kansas Contractors Association, said they are opposed to the bill in its present form but are very supportive of shortline railroads. They find the necessity of them very important to the Transportation Program that we have in the state. Their concern has to do with the viability of KDOT's budget and how it affects the next several years. He presented material that KDOT provided in February showing that their cash flow projection shows zero in 2009. They wholeheartedly agree with the idea suggested by Mr. Hurley. It's something that should be funded through the general fund or EDIF. ([Attachment 7](#))

Mike Barrett, DeBruce Grain, Wichita - Written only ([Attachment 8](#))

Leslie Kaufman, Kansas Cooperative Council - Written only ([Attachment 9](#))

Senator Apple asked what happened to the program that was intended to be self sustaining. Mr. Heidner said it was set up to be either grants or loans and he thinks the writers thought it would be almost all loans. They have done more grants than anticipated.

Chairman Donovan asked who decided to give the grants as opposed to loans. Mr. Heidner said the vast majority of the grant amount was one grant. It was to assist in the purchase of the CKR Railroad Lines so they wouldn't be abandoned in the heart of wheat country. The decision was made by the then Governor, Lt. Governor, Secretary of Transportation, and he thinks there were several legislators that were certainly on board with, and in favor of, the decision. They also made a couple of combination loan/grants to the other companies in fairness to them. But in the last couple of years, they have returned strictly to a loan program so they would have some revenues coming back in. Should there be another opportunity to save some miles like they did in South Central Kansas they might again want to grant. But right now the intent is to have a loan program.

Senator Palmer asked if it was a matching loan. Mr. Heidner said on the loan/grants 30% of the money was provided by the railroads, the grants were 30%, and the loans were 40 %.

Senator Apple asked how much of the original funding was given in grants. Mr. Heidner said a total of \$13 million was given in grants.

CONTINUATION SHEET

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Chairman Donovan closed the hearing on **HB 2709**.

**HB 2878** - Motor fuel trip permits, issuance of.

Chairman Donovan asked Bruce Kinzie if he had a balloon for **HB 2878**. Bruce handed it out. He said the request was for a 24-hour permit and a 72-hr permit. There was a language change from “trip” permit to a “motor fuel” permit to get away from the concept that there is a limited number of trips. Also, on line 18, the words “within this state” were stricken. (Attachment 10)

Senator Schmidt made a motion to amend **HB 2878** as presented by Bruce Kinzie. Senator Apple seconded the motion. The motion carried.

Senator Schmidt made a motion to pass **HB 2878** out favorably as amended. Senator Palmer seconded the motion. The motion carried. Senator Donovan will carry the bill.

Committee Minutes

Senator Schmidt made a motion to approve the committee minutes of February 16, March 2, March 7 and March 8 as written. Senator Petersen seconded the motion. The motion carried.

Chairman Donovan asked Bruce Kinzie to draw up an amendment for **SB 456 - Open records; disclosure of certain records pertaining to drivers of motor vehicles transporting members of the public**, simply saying that anyone that gets an S endorsement on a CDL shall be subject to a background checks. Mr. Kinzie asked if he just wanted a run of the mill or more extensive. Chairman Donovan said just run of the mill should work.

The meeting adjourned at 9:30 a.m.

The date of the next meeting will be determined later.

Minutes were sent around for corrections before considered approved on March 31<sup>st</sup>. No corrections were made.