

**TESTIMONY BEFORE THE
SENATE TRANSPORTATION COMMITTEE**

**REGARDING SENATE BILL 116
RELATING TO DECREASING THE EISENHOWER LEGACY TRANSPORTATION PROGRAM
ALTERNATE DELIVERY PROJECT THRESHOLD, AUTHORIZING USAGE OF FEDERAL
STIMULUS FUNDS AND KDOT BONDING AUTHORITY**

February 16, 2021

Mr. Chairman and Committee Members:

I am Julie Lorenz, Secretary of the Kansas Department of Transportation. I'm honored to be here today in support of SB 116.

Thank you again for your support of our new 10-year transportation program, which we fondly refer to as the IKE Program. I am happy to report that KDOT has made significant progress in implementing the Eisenhower Legacy Transportation program, including:

- Fully launching all new programs, with more than \$65 million identified or awarded through cost share, local bridge, preservation plus, short line rail, drivers education and advanced technology programs.
- Assembling a team of KDOT and private sector transportation leaders to identify ways we can expedite project development to better position Kansas to take advantage of potential federal funds. In April of 2020, Kansas had identified 34 projects that could be let for construction within 18 months. We now have 133 projects – nearly an increase of 100 projects – that can be let by June 2022. More importantly, we have gone from having 13 projects that could be let this year to now having over 50 projects.
- KDOT selected and has begun development work on \$1.6B in modernization and expansion projects. Additionally, we have let construction work on eight T-WORKS projects since May 2020, and today we have eight remaining T-WORKS projects that need to be let to construction. All remaining T-WORKS projects are scheduled to have one phase ready to let by the end of this calendar year.

Through this work, we have identified a few places where additional flexibility will help us be prepared should federal stimulus funds be made available and where we can be better partners with industry as we move through the next decade.

My testimony focuses on the three goals this bill:

- 1. A lower threshold per project on use of alternative delivery**
- 2. An opportunity to better position Kansas for potential federal stimulus funds by suspending the T-WORKS project requirement, if needed**
- 3. Technical clarification of the 18% debt cap calculation**

Alternative Delivery

Currently, a minimum \$100 million threshold has been set for any project to use an alternative delivery approach. If a project does not cost at least \$100M, alternative delivery is not allowed. Several stakeholders expressed concern that the threshold effectively excludes some Kansas contractors. To alleviate the concern, they approached KDOT with a request to reduce the project value threshold to \$10 M to use alternative delivery methods. KDOT supports this change because it will help us deliver some projects faster; however, it is important to point out that alternative delivery approaches do not work for all projects.

T-WORKS Requirement Removal

Current IKE legislation requires one phase of every delayed T-WORKS project to be let before an IKE project can be let. Out of an abundance of caution, KDOT proposes removing this requirement for projects which could be funded with federal stimulus funds. Stakeholders have expressed support to allow the stimulus funds to be invested as quickly as possible to help the Kansas economy toward recovery.

KDOT has expedited the T-WORKS projects and delivery times. One phase of every remaining project will be let by the end of this year. There are not many options for projects that could be let before T-WORKS, but because we do not know whether transportation stimulus funds will be made available nor what the eligibility requirements might be, we are seeking this flexibility so we can position Kansas to receive as much funding as possible. However, and to clarify, we only seek this suspension for use with stimulus funds. We remain committed to completing one phase of every remaining T-WORKS project unless that means we leave federal stimulus funds unused.

Debt Cap Calculation

Since the passage of T-WORKS, KDOT has had authority to issue bonds for projects up to the debt service amounting to 18% of revenues in the State Highway Fund. During T-WORKS, KDOT's bond counsel interpreted the statute as using a net calculation on revenues into the State Highway Fund. However, we have learned in the subsequent years that calculation is inconsistent with the bond rating agencies' debt coverage test.

The proposal is a technical clean-up to make the calculation consistent with the rating agencies' test. The proposal will allow the 18% debt cap to be calculated using gross revenue into the State Highway Fund instead of the current calculation based on net revenues after transfers to the State General Fund.

Again, thank you for the opportunity to testify in support of SB 116. I am happy to stand for questions.