

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 Schneeweis, 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)