

February 18, 2020

CORRECTED

The Honorable Troy Waymaster, Chairperson
House Committee on Appropriations
Statehouse, Room 111-N
Topeka, Kansas 66612

Dear Representative Waymaster:

SUBJECT: Corrected Fiscal Note for HB 2588 by House Committee on Appropriations

In accordance with KSA 75-3715a, the following corrected fiscal note concerning HB 2588 is respectfully submitted to your committee.

HB 2588 would establish the FORWARD Transportation Program. Project categories would include, but not be limited to the following: preservation projects, preservation plus projects, expansion and economic opportunity projects, and modernization projects. Preservation plus projects would be a new project category that includes additional safety or technology elements, or both.

The FORWARD Transportation Program would provide for assistance including credit and credit enhancements, to cities and counties in meeting their responsibilities for the construction, improvement, reconstruction, and maintenance of transportation improvements. The programs may use criteria developed by the Kansas Department of Transportation (KDOT) for incorporation of practical improvements to designs of projects. The assistance would include, but not be limited to the following: Special City and County Highway Fund apportionment; sharing federal aid; city connecting link maintenance assistance; programs for local bridge improvement; programs for railroad crossings; federal aid for state funds exchange; program for rail service improvements; program for aviation assistance; program for transit assistance; transportation technology; multimedia program for bicycle and pedestrian facilities; allowing the Secretary of Transportation to award certain state highway system projects using alternative delivery procurement methods; and a broadband infrastructure construction program.

The Secretary would select projects for development and construction every two years after consultation with local governments and the Secretary would not be required to construct every project selected for development. Prior to June 30, 2030, no less than three expansion or modernization projects would be selected for development from each of KDOT's six districts.

Prior to June 30, 2030, the Secretary of Transportation would be required to develop a long-range transportation plan that examines, but is not limited to, transportation policy, project selection award criteria and selection methods used in FORWARD, transportation funding sources, and FORWARD project categories.

The bill would establish the Transportation Technology Development Fund. All monies credited to the fund would be used to provide assistance with the planning, assessment, and fielding of new capabilities for all modes of transportation, including, but not limited to aviation and highway transportation. The Transportation Technology Development Fund would receive a \$2.0 million transfer from the State Highway Fund on July 1, 2020, and on each July 1 through July 1, 2030.

HB 2588 would establish the Broadband Infrastructure Construction Grant Fund. All monies credited to the fund would be used to provide grants for the expansion of broadband service in Kansas. Grants by the Secretary of Transportation would reimburse grant recipients for up to 50.0 percent of actual construction costs in expanding and improving broadband service in Kansas. The grant reimbursements would be on terms and conditions as the Secretary of Transportation may deem appropriate in coordination with the Secretary of Commerce. The Broadband Infrastructure Construction Grant Fund would receive a \$5.0 million transfer from the State Highway Fund on July 1, 2020, and on each July 1 through July 1, 2022. On July 1, 2023, and on each July 1 through July 1, 2030, the transfer would be increased from \$5.0 million to \$10.0 million. At the end of each fiscal year, the Secretary of Transportation would be required to notify the Director of Accounts and Reports to transfer all remaining and encumbered funds from the Broadband Infrastructure Construction Grant Fund to the State Highway Fund.

The FORWARD Transportation Program would allow the Secretary of Transportation to award certain state highway system projects using alternative delivery procurement methods other than the award of a design-bid-build-contract to the lowest bidder subject to the following:

1. Projects selected for alternative delivery would not include preservation projects;
2. Alternative delivery may be used on all projects utilizing toll revenues for construction and maintenance of the project; and
3. Not more than 5.0 percent of dollars spent in the FORWARD Transportation Program would be used on alternative delivery. The dollar value of projects utilizing toll revenues and projects obtained through federal grants would not be considered in determining this 5.0 percent limit.

The bill would permanently increase city connecting link payments to \$5,000 per mile. The bill would also require a minimum of \$8.0 million be spent in each county for FORWARD projects or programs for the period beginning July 1, 2020, through June 30, 2030. HB 2588 would allow the Secretary to transfer additional funds from the State Highway Fund into the Coordinated Public Transportation Assistance Fund and the Public Use General Aviation Airport Development Fund. Current law requires an annual transfer of \$11.0 million into the Coordinated Public Transportation

Assistance Fund and \$5.0 million into the Public Use General Aviation Airport Development Fund. The bill would allow the Secretary to transfer funds from either fund to the State Highway Fund. Also, the bill would require that for any given fiscal year the amount remaining in the Coordinated Public Transportation Assistance, the Public Use General Aviation Airport Development Fund, and the Rail Service Improvement Fund along with the amount spent or dedicated expenditures from these funds could not fall below \$11.0 million, \$5.0 million, and \$5.0 million, respectively.

The bill would specify that on and after July 1, 2021, 16.154 percent of the 6.5 percent state sales tax and state compensating use tax imposed would be levied for the State Highway Fund.

KDOT estimates additional expenditures of \$7.0 million from the State Highway Fund in FY 2021 if the bill is enacted. Of that amount, \$2.0 million would be increases related to the establishment of the new Transportation Technology Development Fund and \$5.0 million for the establishment of the new Broadband Infrastructure Construction Grant Fund.

KDOT estimates the following expenditures during the lifetime of FORWARD from FY 2021 through FY 2030 with an estimated total cost of \$9.9 billion:

1. Preservation—\$5.0 billion;
2. Preservation Plus—\$300.0 million;
3. Modernization and Expansion (not including delayed T-WORKS projects)—\$2.3 billion;
4. Economic Growth Projects—\$200.0 million;
5. Modal Programs—\$200.0 million;
6. Cost Share/Strategic Safety/Local Bridge Programs—\$300.0 million; and
7. Special City County and Highway Fund Distributions—\$1.6 billion.

KDOT's estimates assume that the transfers to the State General Fund are phased out by FY 2023 and the issuance of approximately \$1.2 billion in bonds from the State Highway Fund.

The Department of Revenue estimates additional expenditures of \$3,945 from the State General Fund in FY 2021 to test agency system to implement the provisions of the bill resulting from enactment. Any fiscal effect associated with HB 2588 is not reflected in *The FY 2021 Governor's Budget Report*. The original fiscal note inadvertently had the cost share/strategic safety/local bridge programs at \$300.0 billion and the correct amount is \$300.0 million.

HB 2588 would have a fiscal effect on local governments, particularly from the provisions in the bill requiring \$8.0 million to be spent in each county, the provisions regarding the Broadband Infrastructure Construction Grant Fund, and the provisions increasing the city connecting link

payments. However, the League of Kansas Municipalities and the Kansas Association of Counties are unable to estimate what the fiscal effect might be.

Sincerely,

A handwritten signature in black ink, appearing to read "L. L. Campbell". The signature is fluid and cursive, with the first name "L." and last name "Campbell" clearly visible.

Larry L. Campbell
Director of the Budget

cc: Ben Cleaves, Transportation
Trey Cocking, League of Municipalities
Jay Hall, Association of Counties
Lynn Robinson, Department of Revenue