

Report of the Joint Committee on Economic Development to the 2009 Kansas Legislature

CHAIRPERSON: Senator Karin Brownlee

VICE-CHAIRPERSON: Representative Lana Gordon

OTHER MEMBERS: Senators Jim Barone; Nick Jordan; Laura Kelly; and Jean Kurtis Schodorf, and Representatives Barbara Craft; Don Hill; Don Myers; Annie Tietze; Jerry Williams; and Valdenia Winn

STUDY TOPICS

- Shortage of Engineers, Including Attracting Aerospace Engineers, and the Impact on the Kansas Economy
- Workers Compensation Law
- Worker Transportation
- Economic Impact of New Comprehensive Transportation Plan
- Most Effective Structure for a State Travel and Tourism Agency
- National and Kansas Economy; Kansas Bioscience Authority; STAR Bonds; Post Audit Report

Joint Committee on Economic Development

WORKER TRANSPORTATION

CONCLUSIONS AND RECOMMENDATIONS

The Committee recognizes that workforce transportation is an important component for future economic growth in Kansas. The Committee finds the federal grant for the Job Access and Reverse Commute (JARC) program to be relatively new. The Committee encourages the Kansas Department of Transportation (KDOT) to monitor this federal funding stream. Any significant change in federal funding that would either hinder or help the future public transportation needs of Kansas should be brought to the attention of the Legislature. The Committee also encourages KDOT to study how monies have been spent thus far on workforce transportation.

It is the Committee's understanding that there may be additional liability issues when a private employer provides transportation for employees. The Committee encourages private employers to purchase transportation passes for their employees, if the passes are made available by local transit authorities or by private carrier companies. This also would limit the transportation liability for companies.

Proposed Legislation: None.

BACKGROUND

The Joint Committee on Economic Development was directed to study options for assisting major employers in transporting employees to and from the work site. Those options could include development of van pools, minibus options or other intra-regional transportation systems that could assist in the movement of workers. The Committee was further directed to study various funding sources for such a transportation system, including tax incentives, grants and federal funding.

COMMITTEE ACTIVITIES

The Committee conducted a hearing on worker transportation on November 18, 2008. Conferees were the Public Transportation

Manager, Kansas Department of Transportation (KDOT); a recruiting manager for Amazon; Director of Montgomery County Action Council; the Director of the Division of Facilities Management, Department of Administration; and the Public Relations Director for the Unified Government of Wyandotte County.

Federal Funding through KDOT. The Public Transportation Manager, KDOT, described the Department's efforts to support public transportation using the U.S. Department of Transportation's Federal Transit Administration's Job Access and Reverse Commute (JARC) grant. Of the total 2007 funding of \$1.34 million, \$412,799 was directed to Kansas non-urbanized areas, the first year that funding could be directed to non-urbanized areas. The program's goal is to address the unique transportation challenges faced by welfare recipients and low-income

persons seeking to get and keep jobs. KDOT has identified multiple employers in rural areas, such as Junction City and Holcomb, whose workers travel as far as 90 miles each way for relatively low wages. KDOT would provide assistance to entities wishing to apply for JARC monies in the next round of grants. A local match is required, she said.

Regional Transportation System for Southeast Kansas. A recruiting manager from Amazon asked legislators to support a fuel tax credit for a for-profit busing company that is willing to open an office in southeast Kansas if sufficient incentives are provided. The bus company would set up routes to transport employees to major employers in the region, such as Amazon (5-7 miles from Coffeyville), Cessna (5 miles from Independence), and Spears Manufacturing (Caney). The recruiting manager testified that Amazon employs nearly 2,000 people during peak season and about 650 at other times of the year. During peak, 20-25 buses bring employees from Missouri and Oklahoma, because a sufficient number of employees cannot be located in southeast Kansas, and 150-180 employees quit working at Amazon last year because of transportation issues, such as not having access to a reliable vehicle. Approximately 100 employees from Bartlesville, Oklahoma, work at Spears Manufacturing. A housing shortage in the area exacerbates employment transportation problems, she said. The conferee testified that she would prefer to see more Kansans working for these major employers and believes a regional bus system would help achieve that goal. Letters of support for the project from the Southeast Kansas Regional Planning Commission, the Coffeyville Area Chamber of Commerce, and Spears Manufacturing were submitted to the Committee.

The Director of the Montgomery County Action Council also testified in support of the proposal, listing additional employers that might benefit from a regional system. The Director

hoped that such a system also would transport those seeking additional education or training.

State Van Pool Program. The Director of the Division of Facilities Management, Department of Administration, provided information on the state van pool program. The program currently utilizes 21 vans and serves 319 riders, and additional vans could be added upon request. Each van must recover, from its riders, sufficient monies to cover operating, servicing, repair, insurance, vehicle replacement, and administrative costs. By regulation (KAR 1-23-2(b)), at least six of eight riders on a van must be state employees, and approximately 10 percent of riders are not state employees. The 2004 Legislature added a requirement that each van carry a minimum of \$1 million in liability insurance coverage.

Transit in Wyandotte County. The Public Relations Director for the Unified Government of Wyandotte County requested that any new statewide transportation plan include increased funding for public transit systems and base the state's public transit funding formula on ridership levels rather than population (as used in the current plan). The conferee stated that the retail and entertainment area near the Kansas Speedway has about 6,000 jobs at present, most of them retail and service jobs, and more are expected. Grants are being used to support inter-governmental efforts to coordinate bus systems and increase bus services from the central city to that area, including services on evenings and weekends. The system adjusts as ridership changes and more efficient routes are determined. Employers are offered discounted unlimited-ridership bus passes which some then buy and offer to their employees as benefits, to help counter the shortage of workers in the area. The conferee also described the Hospitality, Education, and Retail Training (H.E.A.R.T.) project at Kansas City Kansas Community College and tied both this training and transit to workforce development.

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Joint Committee on Economic Development

ECONOMIC IMPACT OF A NEW COMPREHENSIVE TRANSPORTATION PLAN

CONCLUSIONS AND RECOMMENDATIONS

The Committee finds that the Kansas Department of Transportation (KDOT) is changing the project selection process to include the future economic value of projects. The Committee is pleased with the direction that KDOT is moving and encourages an economic study to be done before a project is started.

Proposed Legislation: None.

BACKGROUND

The Joint Committee on Economic Development was directed to study the economic impact of a new comprehensive transportation plan and, specifically, to review the economic impact “multiplier” on transportation projects. It further was directed to study other states’ economic impact evaluation systems that weigh various proposed comprehensive transportation projects and to review the data that is independently available that projects the economic impact of comprehensive transportation programs.

COMMITTEE ACTIVITIES

The Committee conducted a hearing on the impact of transportation spending on the economy on November 17, 2008. Testimony was provided by the Kansas Department of Transportation (KDOT) Secretary; the Executive Director of the Center for Applied Economics at the University of Kansas School of Business; the Vice President of Government Affairs for the Kansas Chamber of Commerce; the Olathe Chamber of Commerce; Americans for Prosperity-Kansas; and the Kansas Livestock Association.

The KDOT Secretary began her presentation by reviewing information regarding the suspension of most December and January bid lettings for KDOT projects: only 27 of the 70 projects that had been readied for letting in December would go ahead, and only 34 of 86 originally set for January. Projects that will continue include US-59, certain preservation projects, and “local” projects. These project delays are required because of uncertainty in the agency’s cash position.

The KDOT Secretary noted that the key economic sectors of services, agriculture, and manufacturing depend on transportation. She said that stakeholders who participated in development of the 2007 Long-Range Transportation Plan named support for economic development as one of the plan’s three guiding principles, and that a priority for the Governor’s T-LINK (Transportation – Leveraging Investments in Kansas) Task Force is to align transportation investments with state economic priorities. That 35-member task force, charged with developing a new strategic transportation approach for Kansas, met during the 2008 Interim and heard testimony at various locations across the state. Its members include representation from localities, industry, universities, and associations plus legislators and certain agency heads. Recommendations from

a department-convened working group included using economic impact analysis in selection of “economic opportunity” transportation projects, with comparisons of projects of similar size.

Investments in transportation have both short and long-term benefits that have been cited in these studies:

- Studies issued by University of Kansas researchers in 1997 and 1999 of short-term effects of the Kansas Comprehensive Highway Program for projects in the 1989-1996 period showed a multiplier of 2.58 in the first study and a benefit to cost ratio of at least 3:1 in the second.
- A study issued in December 2004 by a Kansas State University researcher showed an economic impact 2.6 times the amount spent on Comprehensive Transportation Program contracts let between July 1, 1999, and October 31, 2004. (The amount spent was approximately \$2.8 billion, and the estimated impact was \$7.1 billion.)

During the Secretary’s testimony, High Street Consulting Group presented results from a study of the economic growth, from the date a project was completed to 2006, near five projects for which economic impact was a major factor in project choice. The study, done for KDOT, used USDOT-recommended methodology. Some of its results are summarized in the following table.

Project name	Year Built	Cost (in millions)	Total Job Growth, Build Year to 2006	Annual Added Income for 2006 (in millions)
US-400 Parsons Bypass	2004	\$27	1,421	\$42
K-96 Northeast Wichita Bypass	1993	\$103	23,977	\$1,651
Interstate 70 and 110th Street Interchange (a)	2001	\$50	5,671	\$121
Interstate 435 and Nall Interchange (b)	1997	\$48	17,525	\$1,808
Interstate 70 and Commerce Parkway Interchange, Hays (c)	1995	\$3.4	2,233	\$64

(a) This project serves the Kansas Speedway and Village West area in Wyandotte County.

(b) This project serves the Sprint-Nextel corporate headquarters and other development in Overland Park.

(c) This interchange serves the Airport Industrial Park.

The Executive Director of the Center for Applied Economics at the University of Kansas School of Business urged lawmakers to formalize and institutionalize a way to “score” and prioritize transportation projects before those projects are undertaken. He suggested that an entity like the current Consensus Revenue Estimating Group, a “Transportation Benefit-Cost Analysis Group,” should provide information on transportation projects to decision-makers. He provided copies of two Center technical reports on evaluating public highway investments and their impact on economic growth.

The Vice President of Government Affairs for the Kansas Chamber of Commerce suggested legislators consider something less than a ten-year transportation plan given uncertainties about the state’s economic prospects and an upcoming federal plan. Chamber members want a comprehensive transportation plan but they do not agree on priorities or funding mechanisms. It was suggested that the Legislature consider a State Transportation Commission modeled on the federal Base Realignment and Closure Commission; that Commission would identify projects to fund and what revenue streams to utilize, and its recommendation could be approved or disapproved but not be amended.

A representative of the Olathe Chamber of Commerce stated that two recent projects in Olathe built without state funding -- the I-35/127th Street overpass and the I-35/Lone Elm/159th Street interchange -- have generated tens of millions of dollars in private investment. These two projects were built without state funding. However, these projects were not mentioned as generating private investment. He suggested decision-makers consider changes to the formula used for determining economic development priorities among transportation projects because those projects were not chosen as state projects under the current transportation plan. He also stated that additional interchanges and overpasses are needed along the K-10, I-435,

and I-35 corridor for economic development and safety reasons.

A representative from Americans for Prosperity-Kansas testified that spending on transportation infrastructure does not lead to economic growth within a state. He cited statistics showing state highway system rankings in 2000 and 2006 and the lack of any positive relationship between spending on transportation and changes in population, gross state product, per capita income, and the number of private sector jobs.

The Vice President and General Counsel of the Kansas Livestock Association, in written testimony, requested that legislators consider the importance of transportation infrastructure to the livestock and dairy industries in Kansas. Association members have expressed concerns about issues including the need for short-line rail service, emphasis on retaining existing business, considering freight when looking at congestion, and maintaining the current Kansas transportation infrastructure to ensure Kansas agriculture’s access to markets.

CONCLUSIONS AND RECOMMENDATIONS

The Committee finds that the Kansas Department of Transportation (KDOT) is changing the project selection process to include the future economic value of projects. The Committee is pleased with the direction that KDOT is moving and encourages a cost-benefit analysis to be done before a project is started.